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NEWS SUMMARY

GENERAL

Summit to call for new U.S. links

EC heads of government will call for a new transatlantic dialogue, at their summit which opens in Brussels today.

They are likely to underline their growing fears for the future of political and commercial relations with the U.S. and call for a "forum" possibly based on top-level political contacts between the EEC and U.S. Back Page, Page 2

In Washington, it was stressed the nomination of George Shultz to replace Alexander Haig as Secretary of State would have no change on the overall direction of U.S. foreign policy. Back Page, Page 2

Kennedy ahead

Senator Edward Kennedy received a tumultuous reception at the Democratic Party convention in Philadelphia, leaving no doubt he is the party's leading contender for the presidency in 1984. Page 2

Gulf war flares

Fighting between Iraq and Iran flared, with the Iranian oil refinery town of Ahadon coming under fire, according to Tehran radio.

Soldiers riot

About 300 Indian soldiers rioted in a suburb of New Delhi. They looted a store, set fire to vehicles and attacked police.

Shuttle on time

The U.S. space shuttle Columbia, on its fourth flight, made its first lift-off on time, carrying a military cargo on a seven-day mission.

Nuclear protest

Demonstrators clashed with nearly 1,000 police in Virieux, France, in a protest against the construction of a nuclear power station.

Spanish blast

A boy, 10, was badly injured in San Sebastian, when a knapsack he kicked exploded. The bag was outside an electric company office, often a target for Basque separatists.

Health pay plea

The TUC asked chairman of all health authorities to use their influence to persuade the Government to improve its pay offers to Health Service workers. Page 8

Gas threat

Villagers in Renishaw, Derbyshire, were told to stay indoors after buried chemicals at a nearby plant exploded and sent a gas cloud towards their homes.

Student jailed

Student Xu Bin was jailed for eight years in China for praising Adolf Hitler and "advocating the establishment of a Gestapo-style organisation."

End of the line

The last hand-cranked telephone system in the U.S., at Bryant Pond, Maine, is to be replaced after 104 years.

Test score

India 379 for 8; England 425, at Old Trafford.

Briefly

Explosion in Grootvlei gold mine, near Johannesburg, killed two miners.

An elegant tern, a native of California and Mexico, was sighted in Northern Ireland.

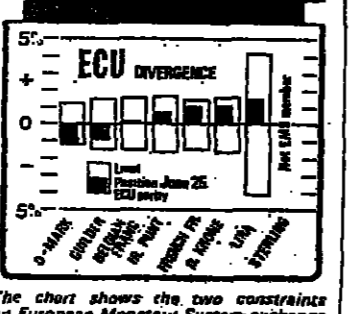
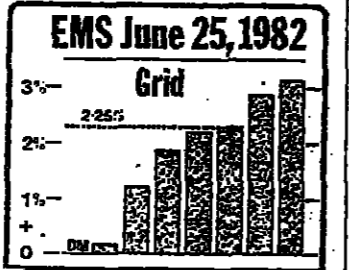
Winds reaching 90 mph killed at least 30 people in Brazil's Parana state.

BUSINESS

Lucas offers 5% pay rise

LUCAS INDUSTRIES has opened the motor industry pay round with an offer of about 5 per cent for manual workers. Back Page

FRENCH interest rates eased last week as the French franc held steady in the top half of the European Monetary System. The Italian lira was also firm, supported by high Eurodollar interest rates, finishing as the strongest currency in the EMS. The recent devaluations of the lira and franc appear to have taken pressure off the system. Most interest remains centred on the strength of the dollar, which rose to record peaks against the French franc and lira, and was at a 10-month high in terms of the D-Mark.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates into which no currency (except the lira) may move more than 2% per cent. The lower chart gives the central rate against the European Currency Unit (ECU) itself a basket of European currencies.

VENEZUELA'S decision three weeks ago not to raise a Eurocredit proved ill-timed because it would have cost less than was thought. Page 15

U.S. TREASURY plans to sell \$4bn (£2.32bn) of new four-year notes tomorrow and \$4bn of seven-year notes on Thursday. Page 16

SAXON TATE, a vice chairman of Tate & Lyle, is to be named chief executive of the Northern Ireland Industrial Development Board. Back Page

SEBASTIAN de Ferranti and Fred Bonner have been appointed non-executive directors of British Airways Helicopters. Page 4

CEGB is accused of being "misleading and systematically optimistic about the economics of nuclear power" in a report from the Electricity Consumers' Council. Page 4

BRITISH GAS could face tough bargaining over access to Sleipner, a large new North Sea gas field. Page 5

ISLE OF MAN bank Savings and Investment has had its licence revoked. Page 5

CUT-PRICE CARS from the Republic of Ireland continued to flood into Northern Ireland in May, taking 24 per cent of the market. Page 6

FT INDEX of grocery prices fell in June for the first time in 10 months. Page 6

KNIGH TCOMPUTER International is placing 2.45m shares at 60p each prior to joining the USM on Friday. Page 14

ROWE EVANS Investments will bid £6.26m for two plantation groups to acquire a Stock Exchange listing. Page 14

CONTENTS

British Steel Corporation: Crippling lack of demand 12

Mr Alexander Haig: Behind the resignation 13

Technology: Philosophy behind the networks 15

Management: Wedgwood's success with quality circles 10

Lombard: Ian Hargreaves on job creation 13

Justinian: Tripartite arbitration 10

Profile: Mr George Shultz 2

Editorial comment: The resignation of Mr Haig; London's "green giant" site 12

Survey: UK Property Inset

Arts	11	Insurance	17	Overseas News	2
Appointments UK	8	Int'l. Cap. Markets	15	Parliamentary Diary	4
International	9	Int'l. Co. News	15	Racing	10
Base Rates	2	Law	16	Share Information	22
Building Notices	7	Labour	8	Technology	24
Bus'nan's Diary	17	Leaders	8	TV and Radio	10
Company News	14	Letters	15	UK News	4, 5 and 6
Country	11	Lombard	15	Unit Trusts	21
Director	11	Management	10	Weather	24
Europe	11	Men & Matters	12	World Econ. Ind.	3
Financial Diary	17	Money & Exchanges	20	World Stock Mkts.	18
				World Trade	19

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NUR conference to vote today on BR and Tube strikes

BY PHILIP BASSETT, JOHN LLOYD AND ELMOR GOODMAN

LEADERS of the National Union of Railwaymen will today ask the union's annual meeting whether it wants to continue the British Rail and London Underground strikes.

The Cabinet's special contingency committee begins meeting today.

Mr David Howell, the Transport Secretary said yesterday that "war had been declared" by the unions.

Sir Peter Parker, BR chairman, believes the strike could last up to three months. Downing Street has made it clear it is ready to back BR's stand as long as necessary.

The Cabinet's special contingency committee, headed by Mr William Whitelaw, begins meeting today.

Some London busmen yesterday began strike action in advance of a strike call from July 5—though print union officials rejected a union instruction to block distribution of national newspapers by road.

BR services began to be progressively run down from 2 pm yesterday afternoon, and are expected to be virtually at a standstill today.

BR officials publicly still hope that any NUR members will take advantage of BR's revocation of the industry's closed shop arrangements and will turn up for work. But in private many acknowledge that rank and file loyalty to the union could well be very strong.

Picketing may be rigorously enforced, especially in areas such as Derby, which has already made clear that it intends to defy the strike call.

Pickets will pay particular attention to the string of about 15 key signal boxes up and down the country which control the movement of trains.

Both BR and the NUR are gambling that their strategies of the strike—a grassroots revolt against it, and the loyalty to the union, respectively—will pay off.

As delegates assembled yesterday, Mr Weighell said that he would try to delay a decision until after noon to allow time for any last-minute initiatives to be relayed to him.

Where to park in London

EMERGENCY car parks in the London area will open today at Hyde Park, Regent's Park, St James's Park, Battersea Park and Victoria Park. Normal parking restrictions will be suspended in side streets but maintained on bus routes.

Two special car parks for Wimbledon tennis spectators will be available in Wimbledon stadium and at the local football ground, with a bus service to the tennis club. The lifting of side street parking restrictions will not apply in Wimbledon.

BR may still run limited services

firm proposals from Acas today.

The second proposal involves establishment of a negotiating committee, which would enter into immediate talks with the board. Of the two proposals, this seems the more likely, though it would probably mean the strike still being in force for the two-week period of the conference.

The executive stands down while a conference is assembled, but its final act last week was to issue the conference with a set of recommendations on how far it should go.

These included no acceptance of productivity strings and pressing for the settlement date to be brought forward to April. The 26-strong executive last Thursday ruled out a determination of the strike until July 20, with only four votes in favour of the suggestion.

The response of NUR delegates to today's strike vote was unclear last night. Some said they would definitely vote for such a motion, and some added that they would propose it if necessary.

However, while acknowledging the reluctance of their members to take such serious industrial action, many delegates felt that the strike call should be supported.

National newspapers are likely to be delivered normally, following a decision by the Central London branch of the Society of Graphical and Allied Trades to ignore the decision of the Sogal executive not to divert papers carried by rail to road transport.

Leaders of London's bus workers meet today in the Transport and General Workers' London bus section committee to decide whether to endorse the call for an all-out strike of LT-workers from July 5 made last Friday by the London Transport trade union defence committee.

The committee's decision—which is expected to endorse the call—will then be put to a conference of delegates from bus garages later in the week. Already, at least six garages have voted for a strike from today.

CBI gloomy on state of British manufacturing

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE gloomiest report on the state of manufacturing industry to be produced by the Confederation of British Industry since the Budget is being published this morning.

It warns that order books for both home and export business no longer appear to be strengthening in many companies and says that demand is specifically weak in metal manufacturing industries.

The gloomy CBI report is based on its monthly industrial trends survey. It contrasts sharply with the extremely cautious but noticeable optimism evident after the Budget when companies believed they had reached the bottom of the recession.

The decline in the level of pay settlements during the past year has helped boost company profit margins. Nevertheless, this morning's survey shows that the number of companies expecting to raise average domestic prices in the coming four months is continuing to decline.

The order book problem is illustrated by a balance of 50 per cent of the respondents saying

hoping for rises of around 3 to 5 per cent, and will say that companies which can afford nothing should try not to pay any increases that are not matched by productivity improvements.

The CBI... will say that companies which can afford nothing should try not to pay any increases that are not matched by productivity improvements.

The order book problem is below order books rather than above normal, compared with only 22 per cent in March. Output results have also worsened and there had been no increase in the number of companies saying their stock position is improving.

Only 16 per cent of the 1,700 respondents expect the volume of output to rise in the next four months while 63 per cent expect no change and 20 per cent forecast a decline.

The CBI may consider reducing its current forecast below 1 per cent growth if the monthly surveys do not produce more optimistic results later this summer. The Treasury's last forecast—at the time of the Budget—was 1.5 per cent.

£ in New York

Spot	1 month	3 months	12 months
81.7285-7250	81.7380-7295		
1.58-1.61 pm 1.48-1.51 pm	0.41-0.43 pm		
5.25-5.40 pm 4.95-5.05 pm			

Israel urges Lebanese to leave W. Beirut while ceasefire lasts

BY DAVID LENNON IN TEL AVIV AND JAMES BUCHAN IN BEIRUT

ISRAELI aircraft dropped leaflets over West Beirut yesterday to urge Lebanese civilians to save their lives by leaving the city while the two-day ceasefire between Israeli forces and Palestinian guerrillas still held. Tension in the city rose sharply in the absence of any clear hope of a political solution.

In Israel there was a growing feeling that the Government was likely to order soon an invasion of West Beirut. Despite the latest ceasefire between its forces and those of Syria and the Palestinians, Israel was continuing to build up its strength around Beirut.

The cabinet in Israel was shaken by the sudden resignation of Mr Alexander Haig as the U.S. Secretary of State.

Some ministers urged speedy action over West Beirut before any shift in U.S. policy on the Middle East.

The leaflets said Israel was contending its war against the "terrorists" and had "not used its full force yet." In Jerusalem the cabinet made public its conditions for ending the two-week siege of Beirut, where several thousand Palestinian guerrillas are trapped. It said the Palestinians should hand over their weapons to the Lebanese army and accept safe-conduct to Syria through the International Red Cross.

The Palestinian Liberation Organisation (PLO) has already rejected the Israeli proposals and similar ones put forward by the U.S. Mr Khalil

Wazir, the PLO military commander, said yesterday that the Palestinians were ready for an honourable solution, but not "the humiliating solution the Americans, the Israelis and some Lebanese factions want."

In Israel, the government faces increasing criticism over the war in Lebanon. Gen Mordechai Gur, a former Chief of Staff, yesterday declared that the past two weeks of fighting had been pointless and that Israeli soldiers had died needlessly.

The resignation of Mr Haig is seen in Israel as a big blow because of his open support for the invasion. It was his encouragement which led the

Continued on Back Page

Owen victory likely to provoke power struggle within Alliance

BY OUR POLITICAL CORRESPONDENT

THE SPD/Liberal Alliance could face a prolonged power struggle if Dr David Owen wins the SDP leadership election on Friday.

Dr Owen made it clear at the weekend that, while he might be prepared to see Mr David Steel, the Liberal leader, nominated as the Alliance's Prime Minister-designate for the three weeks of an election campaign, he would not be prepared to come to such an agreement well in advance of a general election.

An Owen victory could face the Alliance with 18 months of what one senior Liberal described yesterday as "a prolonged beauty test" between Dr Owen and Mr Steel with the two leaders jockeying for power and popularity.

Mr Steel said well before the SDP leadership contest began that if Mr Jenkins became leader of the party he would be prepared to stand aside for him to lead the Alliance.

Mr Jenkins would probably be nominated as Alliance leader fairly soon in the event of winning the SDP contest.

Mr Steel would not, however, be ready to make way gracefully for Dr Owen, who is very much nearer his own age and much of a rival.

The Liberal leader has agreed not to make any public statements on the SDP leadership contest because it might be seen as interfering in another party's internal affairs.

Yesterday, however, after publication of an NOP poll in the Observer showing Dr Owen very much more popular among the electorate, some senior Liberals were becoming increasingly concerned at the prospect of Dr Owen winning.

It has become clear over the last week that the nature of the Alliance was the central issue of the campaign.

The differences between the two candidates were highlighted in a speech from Dr Owen at the weekend. He repeated his view that, while the SDP and Liberals should work closely together, it was essential they retained their separate identities to the extent of putting up candidates against each other once proportional representation has been achieved.

Mr Steel also took issue with Dr Owen's claim last week that the electorate would not vote for the Alliance unless it knew well in advance who would become the Prime Minister in the event of an Alliance victory.

He said it was perfectly reasonable to leave open the issue of who would be the Prime Minister until after the election.

But Dr Owen said that if there was natural agreement between the two parties on who should be Prime Minister-designate, "it could be helpful for that person to be in position for the duration of the election campaign."

He would, he said, "be perfectly content, if it became clear that the best person was David Steel, to serve under him, and I believe in the spirit of our Alliance he would be prepared to do likewise."

Dr Owen's readiness to serve under Mr Steel may go some way to repairing his relations with the Liberals, but his definition of the Alliance will not please Mr Steel, who like Mr Jenkins, favours a much closer relationship.

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OVERSEAS NEWS

Yugoslav plans on economy backed

By David Buchan and Aleksandar Lebl in Belgrade

THE RANK and file of Yugoslavia's ruling Communist Party has given its backing to the Government's economic stabilisation programme...

The country's economic crisis dominated the 12th party congress. Many of the 1,547 delegates strongly criticised past policies which fuelled an inflation rate of 40 per cent last year...

While accepting the hardship imposed by the IMF-backed austerity programme, industrial workers who make up one of the biggest blocks of delegates at this conference made clear that they wanted equal sacrifices from the service sector...

Delegates were warned that austerity will last a long time. Mr Kiro Gligorov, a central committee member and key author of the stabilisation programme...

Polish budget plan approved

By Christopher Robinski in Warsaw

THE POLISH Parliament's budget committee has finally accepted the Government's revised budget proposals which include a cut of Zl 15bn (EBS.5m) in this year's planned budget deficit.

Last week, the budget committee sent the budget proposals back to the finance ministry for changes which would incorporate deputies' suggestions...

Paul Betts in New York profiles President Reagan's new Secretary of State — a polished diplomatic and political performer

Shultz: an old Washington hand returns

MR GEORGE SHULTZ, the new U.S. Secretary of State, is in Europe on business for his company, Bechtel, the giant construction and engineering group...

Despite the shock Mr Haig's resignation caused, Mr Shultz's appointment is not altogether surprising. He has long been one of President Reagan's most trusted and respected advisers...

Shortly after the election, Mr Shultz's name was considered a likely candidate for high office...

where he is a professor in the Stanford Business School. He is remarkably soft-spoken and gives an overwhelming impression of calm...

At Bechtel, Mr Shultz had a glittering political career in Washington. But as late as last September, he was insisting that he was "enjoying" being an entrepreneur...

He was first appointed by Mr Nixon as Secretary of Labour in 1969, rose to become Director of the Office of Management and Budget in 1970...

He left the Nixon cabinet in the middle of 1974. After discussing with Mr Nixon's decision to introduce price and wage controls in the middle of 1973...

When Mr Shultz left government, Mr Steve Bechtel lured him to join the Bechtel group. Although working for Bechtel, Mr Shultz did not disappear from the public eye...

Now as chairman of the President's economic advisory board. According to some insiders, Mr Shultz declined to take part in Mr Reagan's first cabinet because it already included Mr Caspar Weinberger...

There will obviously be a strong temptation now to regard President Reagan's cabinet as even more solidly based on California Republican politics. Because of its association with key Reagan advisers...

slide victory issued a memorandum to his company's senior officers. It read: "We must not, under any circumstances, seek or appear to seek, any special advantage or favour because of personal relationships which we have with persons in or close to the Government or to try in any way to trade on those relationships."

Mr Shultz is likely to be a welcome appointment both in the U.S. and abroad. If he has one weakness it is that he appears a little too cool. But his colleagues and subordinates at Bechtel as well as his students at Stanford appear to have warmed to him.

A former colleague remarked that Mr Shultz is the sort you once get to know him.

Mr Steve Bechtel Jr, shortly after President Reagan's landslide victory, issued a memorandum to his company's senior officers. It read: "We must not, under any circumstances, seek or appear to seek, any special advantage or favour because of personal relationships which we have with persons in or close to the Government or to try in any way to trade on those relationships."



George Shultz served under Nixon

Bonn shocked by Haig resignation

BY OUR FOREIGN STAFF

THE RESIGNATION of Mr Alexander Haig as U.S. Secretary of State, prompted at least in part by the pipeline equipment embargo which has dismayed West German leaders...

But West German leaders, particularly Chancellor Helmut Schmidt, have been comforted by the choice of Mr George Shultz as successor. One senior Foreign Ministry official said Mr Shultz is Herr Schmidt's "best friend" in the California Republican group.

The Chancellor sent a personal message to Mr Haig saying he was saddened by the former secretary of state's resignation. "Your unique experience as military leader and creative statesman, your firm belief in our common cause have been invaluable for the alliance," Herr Schmidt said in his telegram.

It was known in Bonn that Mr Haig was more sympathetic than other members of President Reagan's Administration to Europe's point of view favouring the construction of a natural gas pipeline from the Soviet Union to Western Europe.

with President Reagan's decision to tighten sanctions against the pipeline's construction, a decision sharply criticised by Herr Schmidt.

In Paris, the French Government, in spite of worries that the resignation of Mr Haig may lead to a deterioration in U.S.-European relations, hopes Mr Shultz may prove to be as sympathetic an ally as his predecessor.

M. Claude Chevesson, the French Foreign Minister, said he was "very surprised" by Mr Haig's decision. Officials said the two men had established close ties and "largely convergent" views on European affairs—a reference to Mr Haig's moderate policy towards the Soviet Union.

It was pointed out, however, that Mr Shultz also knows Europe well, and is not regarded as a hard-liner on East-West relations. The French Government is clearly hoping Mr Shultz's known determination and personal friendship with President Reagan will allow him to act independently, and adopt similar policies on Europe and the Soviet Union to those followed by Mr Haig.

Dismay likely in Peking

By Tony Walker in Peking

THE DEPARTURE of Mr Alexander Haig from the Reagan Administration will not be welcomed in Peking, and may even be viewed with dismay.

China regarded the former Secretary of State as its "best friend" in the U.S. government—at least those were the words used by a senior Foreign Ministry official on the eve of Mr Haig's visit to Peking last year.

Mr Haig was a forceful advocate within the Administration of the need to maintain a "good relationship" with China. He was convinced of the strategic importance of that relationship.

While senior Republicans, notably President Reagan, were making contradictory statements about U.S. relations with Taiwan in the early days of the Administration, Mr Haig was doing his best to keep things on an even keel.

Arabs see U.S. Mideast policy as key factor behind change

BY JIM MUIR IN NICOSIA

DESPITE THE many alternative theories circulating in Washington, many Arab observers firmly believe that Mr Alexander Haig's resignation as Secretary of State stemmed directly from the crisis in Lebanon, and that his replacement by Mr George Shultz will mark a turning-point in the region's affairs...

Political talks started once the Israelis clamped their siege on West Beirut. They involved Mr Habib, the Lebanese Government and political leaders, and indirectly the PLO and the seven-member Lebanese National Salvation Committee...

The committee was reported to have reached agreement at its first meeting on June 20 on a PLO proposal for a disengagement in the Beirut area, with Lebanese Army forces acting as a buffer. The Israelis were to pull back several miles, while the Palestinian guerrillas would retire to the Beirut camps with cast-iron U.S. guarantees that they would not be attacked.

Two days later the Israelis unleashed an attack on Syrian positions in the mountains above Beirut, and stepped up bombing and bombardment of the city's southern suburbs. From the early hours of the Israeli invasion, Arab analysts became increasingly confused about U.S. policy on the affair.

Tunis bid to agree on Lebanon

By Our Foreign Staff

ARAB Foreign Ministers continued emergency talks in Tunis yesterday in an effort to reach a minimum level of agreement on the crisis in Lebanon which would allow them to reconvene a full scale summit of heads of state.

Eight Foreign Ministers including those from Saudi Arabia and Kuwait, and representatives from all Arab League members except Libya, began their talks shortly before midnight on Saturday.

The Arab states were seriously divided among themselves even before Israel's invasion of Lebanon. There had been major disagreements last autumn over the Middle East peace proposals put forward by the then Crown Prince Fahd of Saudi Arabia and over the Gulf war between Iraq and Iran.

The Palestine Liberation Organisation outlined its proposals for Arab action over the Lebanon crisis at the onset of the Tunis talks. It urged the U.S. to sanction a boycott of U.S. products, withdrawal of Arab holdings from financial institutions, and their reinvestment in Europe, especially in France, and the recall of all Arab ambassadors from Washington.

Few regrets in Moscow

BY ANTHONY ROBINSON IN MOSCOW

MOSCOW has expressed few regrets at the departure of Mr Alexander Haig. A commentary by Pravda's Washington correspondent yesterday described him as a man full of confusion and contradictions who had contributed to the wider loss of confidence in the Reagan Administration at home and abroad.

In effect Mr Haig had been chosen as a scapegoat for the mistakes of the Reagan Administration, the report said. This had led to a widening gap between the U.S. and Western Europe, and new divisions between the U.S. and Latin America because of Mr Haig's support for Britain in its "military adventure in the south Atlantic."

Pravda also blamed Mr Haig for supporting what it called "genocidal policies being followed by Israel in the Lebanon," and said he was also largely to blame for the 16-month delay before the U.S. Administration agreed to begin strategic arms reduction talks with the Soviet Union. These talks start in Geneva on Tuesday.

Mubarak disappointed by veto

BY CHARLES RICHARDS IN CAIRO

PRESIDENT Hosni Mubarak said over the weekend that he was very disappointed that the U.S. had vetoed the French resolution in the Security Council on Lebanon. He said the veto should only have been used if the U.S. could put forward an alternative proposal.

Egypt had earlier expressly asked the U.S. not to exercise its power of veto, which Egyptian officials think will only encourage further Israeli attacks on Beirut.

Mr Mubarak has sent a number of messages to President Reagan asking him to intervene to bring about a ceasefire and the withdrawal of Israeli forces from Lebanon. He has warned that if the current crisis in Lebanon is allowed to continue unchecked the entire region will suffer.

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Kennedy leads race for Democratic nomination

BY ANATOLE KALETSKY IN PHILADELPHIA

SENATOR Edward Kennedy was yesterday left in no doubt that he is the Democratic Party's leading contender for the presidency in 1984 after a tumultuous reception at the party's mid-term conference in Philadelphia.

The response to Senator Kennedy clearly outshone the reception received by five other potential candidates who presented themselves to the party over the weekend. But even before the dust from Senator Kennedy's rousing speech had settled, former vice-president Walter Mondale emerged as the party's second choice.

Challenge

Mr Mondale, who spoke to the conference on Friday gave the best speech of his career and impressed many delegates with an unexpected ability to arouse emotion and command attention.

The four other candidates—Senators Alan Cranston of California, Senator John Glenn of Ohio, Gary Hart of Colorado and Ernest Hollings of South Carolina—are so far behind both Kennedy and Mondale that they will have to wait two years left before the nominating convention for the presidency in 1984, there are doubts about their chances of mounting an effective challenge.

Singapore may aid Kampuchean resistance

By Kathryn Davies in Singapore

PRINCE Norodom Sihanouk arrived in Singapore yesterday at the start of a tour of the five countries of ASEAN (the Association of South-East Asian Nations consisting of Thailand, Malaysia, Indonesia, the Philippines and Singapore) to solicit aid for the anti-Vietnamese Kampuchean resistance.

The Prince, who is president of the newly formed "Coalition Government of Democratic Kampuchea" said his guerrilla fighters needed food and medicine, as well as equipment like mine detectors.

According to Prince Sihanouk, Lee Kuan Yew, Singapore's Prime Minister has already promised him aid of \$1 million.

Prime Minister Sihanouk also announced his appointments to three of the four co-ordinating committees set up under the coalition agreement in Kuala Lumpur last week. His guerrilla fighters needed food and medicine, as well as equipment like mine detectors.

Morocco passes investment code

BY FRANCIS GHILES

FOREIGN investors will be allowed to hold 100 per cent equity in Moroccan companies and will automatically be able to remit all profits after tax to their home bases, according to the new investment code just approved by parliament in Rabat.

The code, which replaces one in force since 1973, also allows foreign investors to repatriate all the initial capital they invest and accrued capital after five years.

In a further move to attract foreign investment, the authorities will grant a number of rebates, of up to 50 per cent in certain cases, on the initial cost of land and basic infrastructure in the industrial zones being set up around Moroccan cities.

Greater help will be provided to those foreign companies seeking to establish a presence away from the country's economic capital, Casablanca. The Moroccan Government hopes the new code will attract a greater volume of foreign investment than hitherto. The average yearly figure of foreign investment since 1975 has been around \$100m.

EEC fishing pact hopes rise

BY LARRY KLINGER IN BRUSSELS

EUROPEAN Community talks aimed at establishing a Common Fisheries Policy (CFP) resume in Brussels tonight with the majority of the EEC member states closest to a solution than at any time since the often bitter negotiations began nearly six years ago.

Many obstacles remain, however, with most officials expecting the talks to be "tough and difficult." They may last several days.

Still outstanding is the technically complex problem of sharing-out among the main fishing nations the limited stocks in EEC waters, by species and by geographical area.

Several member states, including Britain, are demanding larger quotas than those proposed by the Commission. Denmark adamantly refuses to accept a suggested 23.4 per cent quota. Britain is being offered 35.5 per cent by far the largest share.

Other main outstanding issues—that of the rights of access to British coastal water by the other member states—seem to be broadly acceptable, with the UK retaining an exclusive or near-exclusive coastal belt.

After several days of high level technical talks in Brussels, there also emerged at the weekend a general agreement that the negotiations should not collapse into the kind of bitter quarrels which have marked recent years.

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هكذا من الأحمول

Shippers to Nigeria receive clearance on exports

By MARK WEBSTER

A GROUP of shippers to Nigeria will receive foreign exchange clearance for millions of pounds worth of exports thanks to a new ruling by the Nigerian Central Bank. The bank has issued instructions that 11 ships which have a bill of lading dated on or before May 15 but which left port after that date will be given the necessary clearance for their goods. The confusion arose over what ships were affected by Nigeria's import restrictions — part of the country's austerity measures which halted all goods despatched after May 15. The ships — five from Britain and others from the rest of Europe, the U.S., Japan and Hong Kong — had been assured by the Societe Generale de Surveillance, the Nigerian

government's import inspection agent, that a bill of lading dated on or before the deadline would be acceptable to the central bank. The day before the deadline, SGS issued a clarification saying that the ships had to leave port on or before that date if they were to be given a clean report of findings — an essential document for obtaining foreign exchange clearance from the central bank. The Nigerian Government made strong representations through the Department of Trade, the Association of Shippers to Africa and the British High Commission in Lagos to clear up the mess. Some shippers may still be in difficulties, however, if their letters of credit have run out in the meantime.

Curbs on air ticket purchases imposed

By Charles Richards in Cairo

RIGHT EUROPEAN airlines have imposed new restrictions on ticket purchases with Egyptian money in an effort to reduce a backlog of non-convertible local funds. Foreigners resident less than five years will now have to prepay for tickets either outside the country or pay by credit card. Egyptians and long-term foreign residents will no longer be able to buy youth and excursion fares but will have to pay full fare. Formerly, foreigners proposed bank receipts showing they had changed the requested amount of foreign currency at a bank into Egyptian pounds. The airlines' head offices have acted because they say the surpluses have been building up in Egypt as the Central Bank of Egypt has been delaying the release of hard currency. According to a bulletin issued after a meeting of the airline representatives held in Cairo on June 20, the total held up was E250m (£40m) up to December 31 1981 and an estimated further E215m till the present. Whereas before the central bank would take three to four months to release funds, some airlines have not received any since August and September last year. The airlines are uncertain of the effect of their action. Most tourists buy their tickets outside the country. But the move, brought about because of the shortage of foreign currency in Egypt, is likely further to reduce foreign currency inflows.

Soviet pipeline hopes are pinned on to-day's summit. U.S. sanctions threaten European jobs

DESPITE ALL the hard words, U.S. President Ronald Reagan has virtually no chance of stopping the flow of additional supplies of natural gas from the Soviet Union to Western Europe. His tougher anti-Soviet sanctions policy—said to be aimed at gaining a political liberalisation in Poland—stands every chance, however, of throwing thousands of West Europeans out of work. West German industry—both in the shape of gas purchasers and gas pipeline equipment suppliers—is convinced that the U.S. is fitting at windmills in trying to halt the Soviet Union's ambitious project to deliver extra natural gas to Western Europe starting in 1984. On a recent visit to Moscow Dr Klaus Liesen, chief executive of Ruhrgas, the leading West German gas purchaser, was again assured by senior Soviet officials that the gas would flow as contractually arranged from the autumn of 1984. Mr Leonid Kostandov, a deputy Soviet Prime Minister, said last week that the pipeline would be ready to go into operation in 1983. The reason why the West German gas industry takes such assurances seriously is simple. The Soviet Union is no underdeveloped country when it comes to producing and transporting natural gas. It is the world's biggest exporter of gas—accounting for 31 per cent of total gas exports in 1981—and is the world's second largest gas producer, after the U.S.—accounting for 29 per cent of world natural gas production last year. The 3,415-mile export pipeline that the Soviet Union is building from the massive Urengoy natural gas field in Western Siberia to the West

German/Czech border accounts for only a sixth of the 16,150 miles of large-diameter gas pipelines that the country is seeking to install under the current five-year plan. (The last 560 miles are in Czechoslovakia.) The other five-sixths are being built in any case with East bloc technology—the Soviet Union has been building gas compressor stations for 30 years. The export pipeline—planned with Western equipment—is only one of six lines the Soviet Union is presently building from West Siberia to Western parts of Russia and beyond to customers in East and West Europe. The pipelines from West Siberia are being laid parallel to each other for much of the route. President Reagan's opposition to the one export line has raised it to the status of a prestige project for Moscow, argue the West Germans and through which pipeline the export gas flows is irrelevant. Even without Western equipment Moscow can force through a pipeline to West Europe by switching domestic resources to the job and by denying domestic consumers in the meantime increasing gas supplies. It is a sacrifice, argues West German industry, that the Soviet Union would be perfectly ready to make to prove its independence of U.S. technology. In addition, the Soviet Union has more time available than is perhaps at first apparent. The first deliveries are due towards the end of 1984, but supplies will start only at a very low level. The peak of supplies—in West Germany's case, for instance, 10.5bn cubic metres a year—will not be reached until 1988-89.

Deere, the world's largest manufacturer of farm equipment, may have lost the chance to win a Soviet contract worth as much as \$150m \$300m because of the Reagan Administration's trade sanctions against the Soviet Union. Mr Robert A. Hanson, Deere's president and chief operating officer, is said to have told Mr William Clark, National Security Adviser, and Mr Malcolm Baldrige, U.S. Commerce Secretary, at a White House meeting that Deere had held talks on a possible agreement to supply the Soviet Union with technology to build a 150 hp tractor. Mr Hanson, according to Deere, said the sanctions made it unlikely that a contract could be concluded. Pressure on the Soviets is also reduced because of the lower volumes they have contracted to supply to West Europe. The project that is being realised today is very different from the scheme talked of two to three years ago. Originally, Moscow proposed selling 40bn cu m of Siberian gas a year to West Europe, drawn from the Yamal peninsula and transported through a bigger line or two parallel pipelines. So far they have contracted only to sell a total of 20.4bn cu m a year to West Germany, France, Austria and Switzerland, though a further 8bn cu m is still being negotiated with Italy. The pipeline itself is smaller—it will have an effective annual capacity, with all compressors, of no more than 25-26bn cu m a year—and the gas will come from the

Urengoy field which is already in production. The damage the Reagan embargo will wreak on the other hand, is to the industrial fortunes of a number of West European companies, who have taken orders totalling several billion dollars for the supply of 41 pipeline compressor stations. Much of the equipment, though under manufacture in West Europe, is under licence from U.S. companies, and this is the lever President Reagan is using to stop equipment supplies to the Soviet Union. The biggest groups hit are AEG-Telefunken of West Germany, John Brown of the UK and Nuovo Pignone of Italy, which are manufacturing 125 gas turbines under licence from General Electric. There are also Creusot Loire of France, Dresser of France, and Mannesmann Demag of West Germany, which are building 68 compressors under licence from Cooper and Dresser in the U.S. In addition Alstom Atlantique was to supply turbine rotor spares also under licence from General Electric.

The position is perhaps most critical for jobs at AEG's turbine-making subsidiary AEG-Kanis in Essen, where the Soviet contract for 47 turbines accounts for more than 50 per cent of the order book. According to Herr Heinz Dürr, AEG chief executive, the very existence of the Essen plant is endangered together with thousands of jobs. The Soviet contract was taken last autumn at rock-bottom prices chiefly to save the plant from closure. He said last week the U.S. measures would not stop the delivery of Soviet gas. "We think it is illogical to push through the gas deal, to buy the gas from the Soviets up to the year 2008, but not to be allowed to deliver the compressors." Talk by some West European government leaders of taking the U.S. before the international courts will hardly alleviate the position. Legal actions could drag on for months and for companies like AEG-Kanis the crisis is so acute that decisions on redundancies are only day or weeks away. It cannot continue to produce equipment on the current scale for an order that is embargoed and which faces every prospect of being cancelled by the Soviets. Simply to press ahead with the manufacture and delivery of compressor station equipment in defiance of the U.S. embargo is also hardly an option for a company with the widespread international interests of AEG-Kanis. Penalties the U.S. could impose include black-listing from the U.S. market, as well as civil and criminal penalties such as hefty fines or the arrest of company executives in the U.S. The intertwining of international business interests would have made such moves appear incredible before last week, but President Reagan's latest moves are pushing relations between the U.S. and its West European allies in this dangerous direction. Only a rapid political solution can help and all hopes are now pinned on the European Community summit meeting in Brussels today where the jeopardised pipeline deal is high on the agenda as a potent symbol of frayed U.S.-West European relations. Against such a background, it is perhaps not so surprising that one placard at the recent anti-Reagan peace demonstration in Bonn read: "Better to have gas from the East than rockets from the West."

Polish authorities approve chlorine plant near Warsaw

By CHRISTOPHER BOBINSKI IN WARSAW

PETROCARBON Developments have received an acceptance certificate from the Polish authorities for a chlorine and caustic plant built under their management at Wloclawek, 80 miles north-west of Warsaw. The plant, worth \$80m, was installed by Catalytic International and is part of the 200,000 tonne a year polyvinyl chloride plant whose construction is being managed by Petrocarb, a subsidiary of Burmah Oil. It is expected to come on stream in 1983. Some 90 per cent of the project is finished but the vinyl chloride monomer plant and

Earlier this year a Polish official at the site, Mr Stanislaw Adamski, had said the authorities were considering pulling out as the Exports Credits Guarantee Department was holding up payment of credits worth up to £12m still due on the project. According to Mr Peter Houghton, a director at Petrocarb who has been closely involved with the project since work first started in 1977, the Poles have dropped all mention of pulling out of the contract at this stage.

SHIPPING REPORT

Tanker market suffers sharp drop in trade

By ANDREW FISHER

THE WORLD'S shipping markets are plumbing new depths of gloom each week, with shipbrokers seeming to vie with each other to find the most depressing ways of describing the trade. In the tanker market, for instance, Galbraith Wrightson said several owners must have been happy to take their summer holidays "to avoid

having to face up to the stark realities of the market." The only areas which had kept up any semblance of activity, it added, had been the Caribbean and the Mediterranean. The Gulf has been semi-dormant, with only around half a dozen fixtures from there last week. The amount of tonnage trad-

ing out of Kharg Island off Iran has also slumped, with only one fixture arranged for a part cargo of 130,000 tons, discharging in the West at World-scale 52j. But Galbraith hoped that more crude oil would be moving from Iranian terminals in the near future, even though it had been suggested that Iran will be putting up its oil prices from the

start of July. E. A. Gibson noted that there had been some interest for ships of up to 150,000 tons loading in Indonesia. One was arranged to Trinidad at World-scale 25j. On the dry cargo side, business was again slack. The rate for grains from the U.S. Gulf to Europe fell further to \$6 a ton.

World Economic Indicators					
		UNEMPLOYMENT			
		June '82	May '82	April '82	June '81
UK	000s	3,061.2	2,969.4	3,007.8	2,680.5
	%	12.8	12.4	12.6	11.2
U.S.	000s	10,549.0	10,307.0	9,854.0	8,248.0
	%	9.5	9.4	9.0	7.5
W. Germany	000s	1,710.1	1,811.4	1,935.3	1,146.5
	%	6.5	6.9	7.4	4.4
France	000s	1,928.2	1,964.5	2,002.8	1,645.7
	%	8.5	8.7	8.8	7.3
Italy	000s	2,279.2	2,301.7	2,304.4	1,884.4
	%	10.2	10.3	10.3	8.5
Netherlands	000s	482.7	484.1	492.8	333.7
	%	9.3	9.3	9.5	6.4
Belgium	000s	516.0	523.7	529.7	426.8
	%	12.8	12.9	13.0	10.5

Source (except UK, U.S., Japan): Eurostat

Japan car share down

JAPANESE carmakers' share of the West German market fell to 8.6 per cent in the first five months of 1982 from 10.2 per cent in the same period of last year, the West German Federal Motor Office said. France was the largest exporter to West Germany in the period, and its market share

held steady at 8.9 per cent, the office said. Registrations of Japanese cars in West Germany in January-May were 91,100 against 114,900 in the same 1981 period, while French registrations fell to 94,100 from 99,300. Total registrations fell to 1,062m cars in January-May from 1.13m.

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Equipment Company of Ireland Ltd.
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Dublin 12, Eire. Tel: 0064 500233

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Tel: 04862 78331

'Misleading' facts on N-power

BY RICHARD JOHNS

THE Central Electricity Generating Board is accused in a report out today of being "misleading and systematically optimistic about the economics of nuclear power."

The study, commissioned by the Electricity Consumers' Council and written by Gordon MacKerron, voices the criticisms of CEGB investment appraisals included in last year's Monopolies and Merger Commission report on the board's operations.

Many of Dr MacKerron's assertions are strongly contested by the CEGB. Senior officials say the study has been largely—and "uncritically"—drawn from the MMC report, that it is unscientific and takes no account of greater elaboration recently introduced into the board's appraisal methodology.

Dr MacKerron charges that CEGB investment appraisals "build in a systematic optimism about the future" and plant related costs are based on the best possible outcome rather than on the basis of central or most likely ones.

He concedes that pressurised water reactors might make nuclear power substantially more competitive than coal but says that "at present the uncertainties are too great—particularly in the possible effects of world-wide safety developments on UK costs—to suppose that PWRs will necessarily fill that role for the UK."

At the same time he acknowledges that, if there was a moratorium on nuclear development,

increased demand for coal and the greater bargaining strength obtained by miners would lead to a substantial increase in the power of coal.

CEGB officials were quick to point out that Dr MacKerron had ignored the broader scope of its projections introduced as a result of the MMC report, in spite of the fact that these had been published six weeks ago.

The CEGB statement of the case for Snewell B power station, published in April, five planning background scenarios for appraising capital and fuel costs for different types of generators are used instead of two as previously.

While rejecting the MMC accusation of nuclear bias in estimating key parameter values, the CEGB has accepted the need for improved performance, procedures and presentation.

In particular, it has admitted having been optimistic in its assumptions about construction times, which in the past have been based on targets.

CEGB officials take strong issue with one criticism made by Dr MacKerron about the use of historic costs in assessing the economic of Magnox Nuclear Power and the Economic Interests of Consumers. By Gordon MacKerron, Electricity Report No. 6, Electricity Consumers' Council. Dr MacKerron is Fellow of the University of Sussex and a member of its Science Policy Research Unit.

Brisk trade at Barclays forecast for Saturdays

By William Cochrane

BARCLAYS BANK plans to open 33 of its branches on Saturday mornings from August 14, providing busy high street areas in England and Wales, the bank said yesterday.

A note circulated to the bank's staff at the weekend said Barclays had settled on Saturday opening in 460 high street branches. Opening will be phased in from mid-August until September 11.

Clerks are being offered an extra £24, £33 or £40 for Saturday morning work, depending on their grade. Pay will be in a separate contract—which in each case represents an increase of a third over an earlier offer.

Barclays said yesterday it would probably need a pool of about 10,000 "volunteers" to achieve a manning level of between five and 10 staff at branches on Saturdays. It accepts that many of them would not want to work every week.

Barclays group employs about 70,000 people in the UK, some 55,000 of whom work at branch level. It emphasised yesterday that Saturday morning trading would not be drawn solely from those who worked there on a Monday to Friday basis. For example, a City of London employee, could work in commuter territory, which might be closer to home.

Barclays's policy of changing customers of other banks to Barclays is also being applied on Saturdays, when the bank expects to confine itself to dealing with cheques, money transmission and loan applications.

While the deal has not been accepted by the Banking Insurance and Finance Union, Barclays noted that BIFU is not opposed in principle to Saturday opening. With clerks typically earning £5,000-£6,000 a year, the bank is confident it will have enough volunteers to make the scheme viable.

Two recruited from industry to board of BA Helicopters

BY MICHAEL DUNNE, AEROSPACE CORRESPONDENT

SIR JOHN KING, chairman of British Airways, has moved to strengthen the board of the airline's subsidiary, British Airways Helicopters, with the appointment of two top calibre industrialists as non-executive directors.

They are Mr Sebastian De Ferranti, formerly the head of Ferranti Electronics and Mr Fred Bonner, deputy chairman of the Central Electricity Generating Board.

These two appointments are part of Sir John's overall plans to reorganise and strengthen progressively the various parts of the rambling British Airways empire.

He plans to give more autonomy to the helicopter business with eventual possibility of selling it off to private enterprise, although it is understood this is not an immediate priority.

British Airways Helicopters is one of the more profitable wholly-owned subsidiaries of the state airline. In the last financial year to the end of March, BAH is believed to have earned a substantial pre-tax profit, although the precise amount is not likely to be disclosed until publication of the British Airways group's profits, later this summer.

Mr de Ferranti and Mr Bonner's appointments follow the recent appointment of Mr Michael Ginn to the post of managing director of British Airways Helicopters. Mr Ginn, who was formerly with BAH's rivals, Bristol Helicopters, was appointed to take over from Mr Russell Keefe later this summer.

British Airways Helicopters, as one of the two largest helicopter operators in the United Kingdom, is one of the most vigorously expansionist of British Airways' subsidiaries.

Docklands display of aircraft for the City

By William Cochrane

A DEMONSTRATION of a Dash 7 Short Takeoff and Landing (STOL) aircraft on London's Isle of Dogs yesterday was described as "a very successful experiment" by Brymon Airways, joint proposer with the Mowlem construction group of a STOL mini airport in the Royal Dock area of Newham.

The demonstration was designed to show that the new generation of STOL aircraft "are very quiet and safe and are specifically designed to operate in urban areas without causing adverse environmental impact," according to Mr Philip Beck, chairman of Mowlem.

The Dash 7 is a 50-seater, four-engined turbo-prop aircraft with a range of about 400 miles. Its manoeuvrability allows it to land and take off so steeply that it quickly reaches a height at which it cannot be heard from the ground, according to Brymon.

The demonstration was well attended by local government officials and produced "not a word of dissent," according to Brymon. It was part of a programme of public consultation arranged by the promoters in conjunction with the London Docklands Development Corporation and community groups.

Mowlem and Brymon said earlier this month that while the proposal was known to be of interest to the LDDC, and that local community leaders had reacted favourably to the idea, the scheme had to prove itself acceptable to local residents.

Tipple for the British tastebuds

A RANGE of Loire wines "specially tailored" to suit the British palate is to be launched later this year.

French producers are to make a push over the next few months to gain a bigger share of sales in the UK, the fastest-growing wine market in the world.

The wines have been created by the Caves de La Loire, the largest co-operative in the Anjou and one of the 10 biggest in France. They are the result of a study into British wine tastes which has been going on since 1973.

A fifth of all Loire wines sold in the UK come from the co-operative, which exports about 1.3m bottles a year to Britain. The company also plans to launch a range of traditional Anjou rose and red wines, as well as its sparkling white and rose.

French wine sales to Britain rose by almost 23 per cent last year to 177m bottles.

Woodworking federation reports improved trade

BY OUR INDUSTRIAL CORRESPONDENT

IMPROVED TRADING in the first five months of this year is reported by 85 per cent of companies interviewed in the British Woodworking Federation's latest trade survey.

Its report, published today, shows that half of these companies also expect further improvement during the summer months.

But, on a less optimistic note, the report also stresses that only 20 per cent of companies were working at full capacity at the beginning of this month, most averaging between 70 and 85 per cent of capacity. A number of companies stressed continuing trading difficulties, and were "no less concerned about the short duration of many existing contracts as well as the general unpredictability of forward workload prospects."

The federation says that the improvement in the industry's fortunes, compared with very depressed levels last year, directly reflects increased activity in new house building.

Half the companies covered in the survey have increased their workforces since the beginning of the year by an average of 10 per cent. Fewer than 10 per cent of companies have continued to shed labour. Short-time working has generally declined.

The federation continues to be concerned about a "powerful threat" from imports, and believes that it may have grounds for anti-dumping action concerning Taiwan.

"There is also continuing concern over low profit margins and over-keen pricing in the fierce competition that exists for available work," said Mr Peter Shapcott, director.

The Builders Merchants Federation reports that sales by members in April this year were 4 per cent up on April 1981. This is the third increase over 1981, after 1.3 per cent in March and 3 per cent in February.

NHS staff may practise privately

THE Minister of Health, Mr Kenneth Clarke, has informed the British Medical Association that community physicians can have the right to practise privately in addition to their normal duties, their annual conference was told this weekend.

Community physicians are employed by health authorities and take part in the administration and planning of health services and preventative medicine.

The offer was announced by Dr Stuart Horner, chairman of the BMA's Central Committee for Community Medicine, to 70 representatives of British community physicians in London.

The minister agreed that whole-time community physicians should be able to undertake private practice on the same terms as whole-time hospital consultants up to a limit of 10 per cent of their NHS salary, Dr Horner said.

BTG seeks law to bind its joint operations

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE British Technology Group has so far failed to persuade the Government to introduce legislation next year which would provide a statutory basis for its operations.

It wants the legislation to bind its parts—the National Enterprise Board and the National Research Development Corporation—which have been operating jointly for more than a year.

The informal link-up appears to be working so smoothly that ministers have not been persuaded to find room in the crowded parliamentary timetable for the legislation.

Some ministers want the legislation because it would eliminate the name of the NEB which has been a target for many backbench Conservative MPs since the organisation was set up by the last Labour Government seven years ago.

This has not proved a strong enough argument. But no final decisions will be taken until the Queen's Speech in the autumn. A short Bill might be introduced later.

Sir Freddie Wood, part-time chairman of the BTG and of its two sections, may express his wish for legislation in the NEB's annual results to be published tomorrow.

The BTG and the two sections have common board members and the same chief executive. The staffs have also been merged. But each investment

has to be allocated statutorily to one or other organisation.

Financial packages have to be designed to fit in with one or other's guidelines and financial criteria. Some investments straddle both organisations which could cause problems when business fails.

One compromise being considered is for the Industry Department to produce common guidelines so that the organisations find it easier to operate together.

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One compromise being considered is for the Industry Department to produce common guidelines so that the organisations find it easier to operate together.

Vauxhall scheme vote likely today

By William Cochrane

A WIDELY-CRITICISED £200m development in principle to Saturday opening. With clerks typically earning £5,000-£6,000 a year, the bank is confident it will have enough volunteers to make the scheme viable.

Parliamentary approval is being sought for a special development order which would allow Arunbridge, the developer, to avoid normal procedures. An option to acquire a key element of the 12-acre Vauxhall Cross site will expire next month.

Mr Michael Heseltine, the Environment Secretary, laid the order before Parliament 10 days ago. It grants full planning permission for a mixed development of offices, housing, shops, recreational facilities, a river wall and a riverside walk.

The project involves more than 1m sq ft of office space in six separate six-story blocks, ranging in size from 71,000 sq ft to 320,000 sq ft. There would be open spaces, about 200 terraced apartments and 50,000 sq ft of shopping facilities.

In mid-May it was announced that a design by Sebree Allsop and Mr Ted Happold, senior partner of construction engineers, had been picked from 129 entrants to win a competition organised by the Royal Institute of British Architects.

Plans to redevelop the Thames-side site have prompted strong opposition from some local groups. Since the order was laid before Parliament, it has been criticised by conservationists and Labour MPs.

When Mr Heseltine accepted the winning design in May, he said that he was not imposing his personal taste in laying the order, but was putting forward a proposal tested in open competition and selected by the client from three finalists.

Week's parliamentary business

TODAY

Commons: Debates on Opposition motion on the representative operation of immigration regulations. Motion on Town and Country Planning (Vauxhall Cross) Special Development Order. Proceedings on Iron and Steel Bill (Lords).

Lords: Criminal Justice Bill, Committee.

Select Committees: Treasury and Civil Service—Subject: International Monetary Arrangements. Witnesses: Ford of Europe Inc and Unilever plc (Room 15, 4.30 pm).

Public Accounts—Subject: General Lighthouses Fund. Witnesses: Mr M. D. M. Franklin, Department of Trade, Commissioners of the Irish and Northern Lighthouses; Trinity House (Room 16, 4.45 pm).

Social Services—Subject: 1982 Public Expenditure on the Social Services. Witnesses: Rt Hon Norman Fowler, MP, Social Services Secretary (Room 21, 5.30 pm).

TOMORROW

Commons: Northern Ireland Bill remaining stages.

Lords: Food and Drugs (Amendment) Bill, 1st Reading. Merchant Shipping (Lines Conferences) Bill, 2nd Reading. Civil Jurisdiction and Judgments Bill, 2nd Reading. Amendments. Relief from Forfeiture Bill, Committee.

Select Committees: Procedure

(Finance)—Subject: Procedure (Finance). Witnesses: Mr Jack Bruce-Gardner, MP, Economic Secretary to the Treasury (Room 15, 4.15 pm).

Committee on Private Bills—Cumbria Bill (Lords) (Room 6, 10.30 am). London Transport (Liverpool Street) Bill (Room 8, 11.00 am).

WEDNESDAY

Commons: Consideration of Lords amendments to the Local Government Finance (No. 2) Bill until about 7 pm, followed by motions on the Northern Ireland (Emergency Provisions) Act 1978 (Continuance) Order, and on the Northern Ireland Act 1974 (Interim Period Extension) Order.

Lords: Taking of Hostages Bill; consideration of Commons amendments. Stock Transfer Bill, Committee; Supply of Goods and Services Bill, Third Reading. Debate on second report of EEC Agricultural Trade Policy. Debate on the 12th report of the EEC on revision of the European Regional Development Fund. Unstarred Question on Lord Rothschild's report on the Social Science Research Council.

Select Committees: Home Affairs—Subject: Home Office procedures for investigation of possible miscarriage of justice. (Room 8, 11.00 am).

Public Accounts—Subject: Investment Appraisal. Witness:

Sir Anthony Rawlinson, HM Treasury (Room 15, 4.00 pm). Treasury and Civil Service Select Committee—Subject: The structure of personal income taxation and income support. Witnesses: Sir Brandon Rhys Williams, MP and Mr Frank Field MP (Room 15, 4.00 pm).

Welsh Affairs—Subject: Scrutiny of Welsh Office Departmental Witnesses. Welsh Office officials (Room 18, 4.30 pm).

Committee on Private Bills—Cumbria Bill (Lords) (Room 6, 10.30 am); London Transport (Liverpool Street) Bill (Room 8, 11.00 am).

THURSDAY

Commons: Debate on a motion to approve the statement of Defence Estimates (First Day). Lords: Criminal Justice Bill, Committee. Cinematograph (Amendment) Bill, Report. Select Committee: Committee on Private Bills—unopposed Bills. Greater London Council (Money)—(Room 11, 4.00 pm). Cumbria Bill (Lords)—(Room 6, 10.30 am); London Transport (Liverpool Street) Bill—(Room 8, 10.30 am).

FRIDAY

Commons: Local Government (Miscellaneous Provisions) Bill; consideration of Lords amendments. Lords: Criminal Justice Bill, Committee (unless completed on previous day).

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National Savings Stock Register

Horse sense decides rest is best cure

THE traditional method of using hot irons to treat lameness in horses does not work, according to a team of researchers.

The age-old method, called line-firing, involved placing hot irons on skin overlying the injured tendon. It is used worldwide to treat tendon injuries which are the biggest cause of financial loss in the racing industry.

But after a five-year study, Bristol University researchers say line-firing does not improve the rate of recovery after injury. Horses are subjected to more psychological stress on the first day of treatment than by any other method.

The researchers conclude that "rest is best" among the common treatments, which include line-firing, pin-firing, tendon splitting, and rest alone.

Prof Ian Silver, head of Bristol University's pathology department, directed the project involving three university departments.

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British Gas may face tough talks on N. Sea field

By Maurice Samuelson

BRITISH GAS could face tough bargaining over access to a large new gas field in the North Sea. The field is seen as the natural successor to Norway's Frigg field, which supplies 30 per cent of the gas distributed in Britain.

Statoil, the Norwegian state oil corporation, said in Oslo that negotiations on the disposal of gas from the Sleipner field will begin in the autumn. Output from the field will build up in eight years' time, shortly before the Frigg field is depleted.

British Gas "appears to be interested" in switching to Sleipner, say Statoil officials. They put its recoverable reserves at 200bn to 210bn cu m. In the past two weeks they have held talks with about 20 potential customers, throughout Europe, and believe they will be in a strong position to determine the selling price.

The field's location means that Norway has at least three options on where the new gas should be landed—through the existing Ekofisk or Frigg Field pipeline systems or via a new pipeline to Scotland or the continent.

Statoil hopes that the forthcoming negotiations will enable it to propose by the middle of next year where the gas should be landed.

At least three production platforms would be installed and the gas would come on stream in about 1990.

The company notes that the Frigg field will be depleted at the end of 1982 and that this will be "very serious" for the UK. To maximise their revenue from Sleipner, the Norwegians want to have a sale agreement on the landed price of the gas rather than on the well-head price.

Energy Department faces specialist staff shortage

By Ray Dafter, Energy Editor

THE ENERGY Department is facing a critical shortage of petroleum engineering specialists which could hinder plans for a new round of exploration licences.

The department has embarked on a recruitment campaign for reservoir evaluation specialists who are almost 50 per cent under-strength.

The department is offering salaries of up to £26,100 to lure 19 specialists from the oil industry. It wants to return to a complement of 39 before applications for new drilling licences late this year.

The department said salaries were in line with those offered by oil exploration and production companies. It hopes to attract specialists who are seeking a home base rather than the extensive travel normally associated with the oil industry.

"There is a general scarcity in the industry of these types of specialists and the department is in competition with the industry for their services. We are running an intensive advertising campaign," the department said.

Most of the specialists will be offered salaries at levels of assistant secretaries and under-secretaries—between £18,525 and £25,000. The department is seeking six reservoir engineers, three geophysicists, six geologists, two petrophysicists and two petroleum engineers.

Existing staff are hard pressed in dealing with informal development plans submitted by offshore operating groups and in monitoring activity on the UK Continental Shelf.

The work pressure will grow when formal development proposals are submitted and when details of the eighth round of licences become known.

The Government is planning to offer between 150 and 200 blocks in August or September. It hopes to attract applications for at least 85 of the concessions by the end of the year.

The eighth-round licences will be offered over a wide area of the Continental Shelf, including gas producing areas, oil producing regions and unexplored territories. As a further complication, between 10 and 20 of the licences are to be offered on an auction basis.

Engineering orders rise

NEW ENGINEERING orders in Britain were up 6 per cent in March compared with last December, but were still 5 per cent lower than the 1981 peak last June.

Department of Industry statistics showed new orders for the home market were up 7.5 per cent in March over December and export orders were up 2.5 per cent. The trend of total

sales in this sector has been virtually flat for almost a year. The department also published figures showing that machine tool sales and orders remained depressed in March. New export orders were 17 per cent lower in March than last December, while export sales were down 11.5 per cent over the same period. New home orders were off 3.5 per cent and sales off 8 per cent.

Isle of Man bank loses licence

By Ray Maughan

THE Isle of Man bank Savings and Investment Bank, which is at the centre of a legal dispute with Mr Jim Raper, has had its licence revoked as a result of an investigation of its affairs by Treasury Officials, the Government Treasurer, Mr William Dawson has announced.

The investigation is continuing.

The bank's deposits, thought to total some £40m, have been frozen.

A spokesman for the Treasurer's department said a lack of confidence had been created in the wake of the dispute with Mr Raper's private company, Gasco Investment.

The legal dispute centres on the bank's injunction, which is still in force, taken out against Gasco and Mr Raper's other company, St Piran, for loan repayments. Gasco has responded with two legal actions for as yet unspecified amounts. The actions are defended.

Savings and Investment's activities are confined largely to the Isle of Man although it acts as one of the banks to Pennine Commercial Holdings, the quoted UK group, and has a 25.89 per cent stake in the fuel oil and lubricants distributor, United Guarantee (Holdings).

Lorne Barling looks at a pottery which has come through the recession unscathed

Fine china continues to travel well

THIRTY SEVEN china and pottery plants out of a total of about 180, have closed in Britain in the past three years, and membership of the Ceramic and Allied Trades Union has fallen from almost 50,000 to 31,000.

The severity of this diminution has been felt most acutely in the heart of the pottery industry, Stoke-on-Trent, in Staffordshire. A number of old and famous names have disappeared recently through closures and even the larger concerns, such as Wedgwood and Royal Doulton, have suffered badly.

Demand for fine English bone china, however, has held up better than the market for less expensive earthenware, in which foreign competition has been intense.

Aynsley China of Stoke-on-Trent, which was taken over by Waterford Glass of Ireland in 1970 for a little less than £1m, is now contributing that amount annually to the profits of the cut-glass company. It has also maintained full employment during the past two years, increased its profits by 19 per cent in the past 12 months and steadily improved export levels—though not without setbacks in a market where survival has been the main objective of many concerns.

One of the key factors in this success has been Aynsley's ability to market its high-quality products through Water-

ford outlets in the U.S., where the two products have complemented each other as top-quality tableware.

Aynsley's annual sales have increased from £500,000 to £7.7m in the past decade, while direct exports have risen in value from £400,000 to £2m. Numbers employed have almost doubled, from 400 to 786.

Mr Michael Gillow, chairman and chief executive of Aynsley, said:

"Our strength is variety. Automation would restrict our style, which is not what we want to do. Additional labour is no problem and the skills are available," said Mr Gillow.

Waterford and Aynsley's marketing policy in the U.S. has involved heavy advertising—about \$7m was spent on it last year—and results have indicated that the expenditure was worthwhile. The two companies are adopting a similar approach in Britain.

Mr Owen Kealy, group managing director of Waterford, is also encouraging a greater effort to sell on the Continent and efforts are being made to establish a bigger presence in other, non-English-speaking markets.

Waterford is similarly opposed to further investment in the present economic conditions, but Mr Kealy believes his company could also improve its

performance by making better use of existing resources and through more intensive marketing.

One of the main factors for the UK ceramics industry is the value of sterling. The recent recovery of the dollar, after a long period of weakness, is a welcome aid to sales. However, the British Ceramics Manufacturers' Association pointed out that a favourable ratio of sterling to the dollar would have to last so long as to do the industry any good. It added that the benefit of the strong dollar was still being offset by high interest rates, while demand in the home market showed little sign of improvement. Between 8,000 and 8,900 workers in the industry are estimated to be on short-time.

Although there was some evidence to suggest that the industry's exports were improving slightly, this could not be substantiated, because figures were still affected by the 1981 Civil Service strike.

The association confirmed that English bone china sales had withstood the recession fairly well, but pointed out that most companies had a range of other ceramic products, problems with which more than offset this benefit.

Overall, it is felt that the worst is probably over for the industry, but the prospect of increased employment is limited, since most companies have the capacity to meet reasonable increases in demand without additional labour.

A main factor is the value of sterling. The recent recovery of the dollar, after a long period of weakness, is a welcome aid.

"Our strength is variety. Automation would restrict our style, which is not what we want to do. Additional labour is no problem and the skills are available," said Mr Gillow.

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This kind of work is labour-intensive and unsuited to increased automation since manual decoration is involved.

Parking meter fees to double


PARKING METER charges in Belgrave, Knightsbridge and Piccadilly areas of Westminster will go up in July.

In the area bounded by Vauxhall Bridge Road, Grosvenor Road, Ebury Bridge Road, Buckingham Palace Road and Tetrinus Place, charges at 550 meters will go up from 10p to 20p an hour.

In the area bounded by Kensington Road, Knightsbridge, Grosvenor Place, Buckingham Palace Road, Ebury Bridge Road and the boundary with the Royal Borough of Kensington and Chelsea, charges will be increased from 20p to 40p an hour.

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UK NEWS

Max Wilkinson looks at London Business School's latest Economic Outlook

'Japan has monetary success'

THE IDEA that a tight monetary policy can control inflation without necessarily injuring output is supported by the reaction of Japan to the two oil shocks, says a special article in the current issue of Economic Outlook.

The article, by Professor Alan Budd and Dr Geoffrey Dicks, compares the policies adopted by Japan and the rest of the world after the steep rises in oil prices in 1973 and 1979.

After the first oil shock Japanese money supply was allowed to rise at a much faster rate than the rise in the rest of the world. This was in tune with the prevailing wisdom that monetary policies would need to accommodate the higher price levels resulting from the oil price rises.

Between 1979 and 1981, the growth of the Japanese money supply was held significantly below the growth of world money supply.

Centre downgrades growth forecast

THE SETBACK to national output in the first three months of this year is expected to be temporary and there will be a steady advance in the second half of the year, says the London Business School Centre for Economic Forecasting in its latest economic outlook.

For the year as a whole, the centre is predicting growth of 1 per cent compared with 1981. This is significantly more pessimistic than its last forecast, published in March, when it thought this year's growth would be 1.5 per cent.

This is the fourth successive forecast in which the centre has downgraded its growth forecast for this year. A year ago it was predicting that output would grow by 2.8 per cent in the current year.

Then, after a sharp rise in the dollar last summer and a consequent raising of UK interest rates to defend sterling, the centre became more pessimistic. Its November forecast was for only 1.7 per cent growth. This was somewhat reduced after the fall of industrial production in the winter months to 1.5 per cent in the March prediction.

However, it says a large part of this potential stimulus to domestic demand leaked away into higher imports.

After a 1 per cent decline in world industrial production in the first quarter of 1982, the centre expects a modest recovery in the second quarter which will gather pace in the second half and in 1983.

For 1983 as a whole there is expected to be little or no change in world output with about 31 per cent growth in total output in 1983 and 51 per cent growth in industrial output.

GDP would have been 4 per cent higher than a year earlier, says the centre.

Although real incomes had fallen, private consumption held up almost to the same level as a year earlier, because of a 3.75 per cent fall in the proportion of income which was saved.

"Private non-residential investment was also strong in 1981. By the fourth quarter it was 2.5 per cent higher than a year earlier. The key factor in depressing domestic demand was the behaviour of the public sector. . . . But the main reason why the end of destocking did not result in a major upswing was the collapse of net trade."

"What has happened is that import penetration has increased sharply over the recession. The increase was not apparent while stocks were being run down because imports also fell, but as destocking came

The centre says that while the immediate cause of the world recession was the 150 per cent increase in oil prices in 1973, the main explanation of the renewed downturn in 1981 was the strong anti-inflation policies of most governments, with tight monetary policies and high interest rates.

However, it says the attack on inflation is now producing results, particularly in the U.S.

to an end, a high proportion of the associated increase in demand has been met from imports."

The increase in imports has been concentrated in manufactured goods, with UK industrial output falling more than proportionately during the recession.

The centre estimates that import penetration, as measured by the ratio of imports to total output, fell from an average 33.6 per cent in 1980 to 31.2 per cent in the first three months of 1981. It rose to 36.2 per cent in the final quarter of last year.

The centre has adopted a "best guess" at future changes in domestic policy as the basis for its forecast rather than the standard assumption of unchanged policies.

for inflation in the short run and now broadly agrees with the Treasury's forecast of an annual rate of 7.5 per cent by this time next year. It expects earnings in manufacturing industry to be rising at an annual rate of about 8 per cent by this August.

"We expect wage increases to remain moderate in 1982 even though economic activity is expected by them to be picking up more strongly. Since the deceleration of wages has been achieved without an incomes policy, there is unlikely to be a wage 'explosion' as happened in 1974 and again in 1980," it says.

"Companies are still severely constrained in their price behaviour by the high exchange rate and are unlikely to grant wage increases that they cannot pass on in higher prices—particularly as two years of recession have left companies finances in a weak condition."

Since companies have little scope for further improvement in liquidity through running down inventories, the centre says it expects companies will press for moderate wage settlements to release cash for investment and rebuilding of stocks.

It says: "The high level of unemployment will help them to secure the acquiescence of the employees in this strategy."

The corporate sector deficit, which was nearly £2bn in 1981, is predicted to rise just more than £3bn in 1982, with a very modest rebuilding of stocks and an increase of investment by about 9 per cent.

Cheap car imports to N. Ireland remain high

By Kenneth Gooding, Motor Industry Correspondent

UNOFFICIAL, car-price car imports from the Republic of Ireland, which are threatening to devastate the motor trade in Northern Ireland, continued at a high level in May.

Of 4,533 new cars registered in Northern Ireland in May, 1,098 or 24 per cent were unofficial imports.

The cross-border trade showed little sign of easing even though a number of manufacturers—B.L. Ford, Volkswagen-Audi and Renault among them—have introduced special financial schemes to help their dealer networks in Northern Ireland.

Cars from the Republic are being sold at about 17 per cent below list price in the north. That is roughly what Northern Ireland dealers previously had to pay for them.

Two companies particularly badly affected were Mazda and Ford. Some 81 of the 146 new Mazdas registered in Northern Ireland in May were "grey" imports, representing 55 per cent of the total.

FT GROCERY PRICES INDEX

Warm spell brings cheap fresh produce

BY DAVID CURRICH, CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES grocery prices index fell in June for the first time in 10 months, mainly as a result of cheap supplies of fresh fruit and vegetables following the warm spell in May and early June.

The index in June stood at 149.87, compared with 151.06 in May.

Although there were small falls in cost in a number of sections of the shopping basket, the major reduction leading to the overall fall in the index came from the lower cost of fresh fruit and vegetables. This section of the shopping basket fell in cost from £4.68 in May to £3.81 in June.

This reduction is clearly due to plentiful supplies of fresh produce arising from the warm weather.

The Fresh Fruit and Vegetable Information Bureau reports that particularly good buys are broad beans and peas

and the "best potato buys are English and Brittany Prince new, with Cyprus and Jersey Royals also good value."

Cabbages and other greens are also "good value" at the moment, according to the bureau, although cauliflower prices vary depending on size.

The grocery prices index is compiled from information supplied by 25 shoppers who monitor a list of over 100 grocery items each month. The stores, which form the same sample each month, range from small village grocers to large urban supermarkets.

The index is meant, however, as a guide only to trends in food prices and should not be taken as an absolute indicator of price levels.

The FT grocery prices index is copyright and may not be used in any way without consent. All inquiries should be made to Lucinda Wetherall at the Financial Times.

Table with 3 columns: Item, June 1982, May 1982. Includes Dairy produce, Sugar, coffee, tea and soft drinks, Bread, flour and cereals, etc.

1981: January 130.76; February 131.75; March 132.75; April 134.93; May 136.30; June 137.27; July 136.62; August 135.50; September 136.60; October 137.49; November 140.51; December 141.24.

Spending rise forecast

BY OUR CONSUMER AFFAIRS CORRESPONDENT

A "MODEST" increase in consumer spending next year is forecast by the Government review of the economy, and higher wage settlements.

The review points out that such an outcome would still be modest by comparison with previous consumer outbursts.

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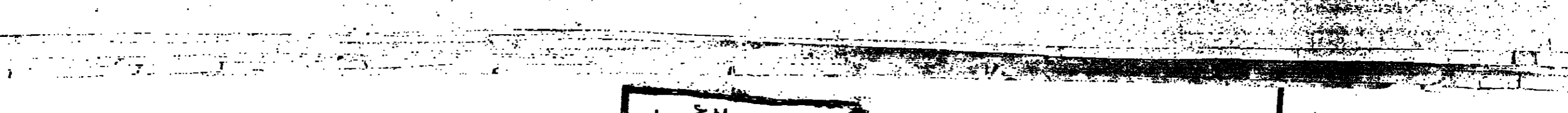
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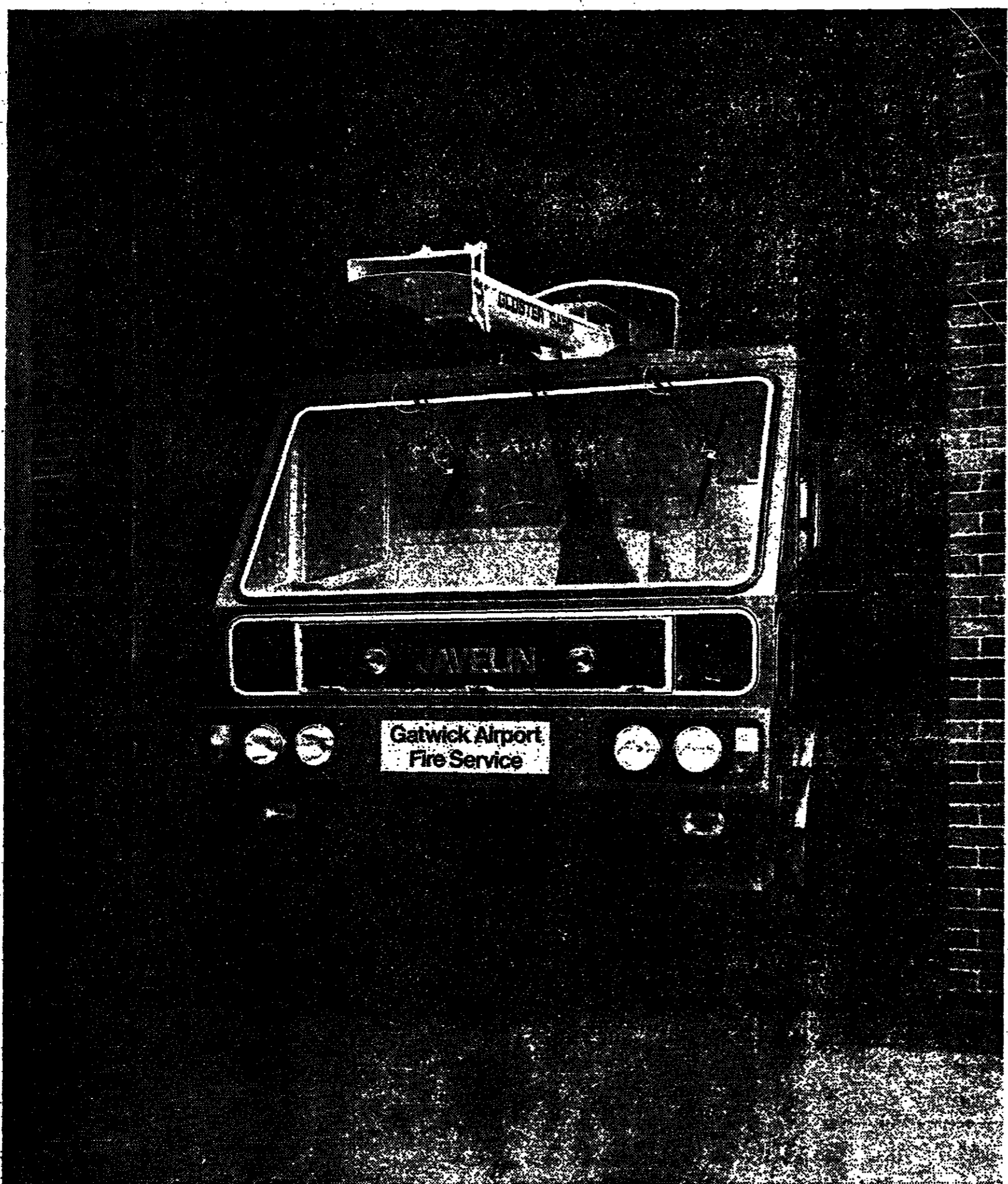
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INDEX
Oil brings
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CORRESPONDENT
AND AFRICAN STUDY
AL DIVISION
FOR BUSINESS
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TUC asks health authority heads for help over pay

BY JOHN LLOYD, LABOUR EDITOR

THE TUC has written to the chairpersons of all health authorities, to ask them to "use all the influence" they can to persuade the Government to improve its offer of pay rises of 7.5 per cent to nurses and 6 per cent to other National Health Service staff.

Mr Peter Jacques, secretary of the TUC health services committee, said that the NHS unions were asking Mr Pat Lowry, chairman of the Advisory, Conciliation and Arbitration Service (Acas), to mediate in the dispute. Mr Lowry has already been asked by Mr Norman Fowler, the Social Services Secretary, to get involved in the dispute - but without a specific brief, and without the machinery of Acas.

Mr Jacques accused the Government of being "divisive and provocative", and said it had broken off negotiations despite the refusal of the health service unions to accept the revised offer.

He said £40m. of the further £39.9m made available by the Government to improve its original offer of 6 per cent to nurses and 4.5 per cent to other staff, will come out of existing health authority budgets, thus making for cuts in other expenditure.

"The National Association of Health Authorities estimates that, as a consequence, all but the most deprived regions will suffer a real cut in their resources for patient care this year. The highest-growth

regions will lose the bulk of their planned development money," he went on.

Mr Jacques said that the improved offer would add only 33p net to nursing auxiliaries

groups of workers.

Nupe has been pushing for the widening of public sector pay campaigns to involve groups other than those directly affected for two years.

The unions involved include the Transport and General Workers' Union, the General and Municipal Workers' Union, the Electrical and Plumbing Trades Union and the Confederation of Ship-

building and Engineering Unions, which includes the Amalgamated Union of Engineering Workers in its membership. The July 5 meeting will embrace almost every major union in the country, and a strike call from that meeting would amount to mobilisation for a general strike.

A number of senior union leaders believe a soap election could be called over the series of disputes under way.

nationalised energy industries. "In addition, most health service workers are being offered less than the average of the private manufacturing industry settlement monitored by the OBI."

● A three-day strike of all NHS unions has been called for Monday, July 19, to Wednesday, July 21.

● Electricians involved in a dispute which stopped the publication of The Times on Friday and Saturday have resumed normal working. The Sunday Times, which would have been affected, was published normally yesterday.

The four electricians, whose dismissal led to their colleagues walking out, have been reinstated.

pay at the lower end of the pay scales, and 89p a week to that of a senior nursing officer at the higher end.

"These revised offers do not provide a basis for further

negotiations within the established bargaining machinery.

The revised offer is well below settlements agreed for the police, firemen, water workers and workers in the

building and engineering industries.

The revised offer is well below settlements agreed for the police, firemen, water workers and workers in the

NUR left-wingers may not demand Weighell's removal

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LEFT-WINGERS in the National Union of Railwaysmen (NUR) are likely, as the national rail strike gets under way, to draw back today from a motion of no-confidence in Mr Sid Weighell, the union's general secretary.

Even before the union's annual conference, which opens in Plymouth today, is due to decide the future of the British Rail and London Underground strikes, it will consider a left-inspired resolution from the NUR's Brighton branch on these lines demanding Mr Weighell's removal from office.

Left-wingers acknowledge that the political complexion of the relatively moderate annual general meeting is such that the Brighton resolution would be defeated if put. This would effectively turn it into a vote of confidence in Mr Weighell - which is far from what the left wants.

For the left seems set to turn this position into a tactical

victory, either by not pressing the motion to a vote but airing its grievances against Mr Weighell or, more cleverly, by proposing its reamendment, which would still leave it on the agenda for the more left-dominated NUR executive to consider.

Well-briefed proponents of the motion are set to argue in considerable detail, if necessary, that Mr Weighell has allegedly broken a number of the union's complex rules - mainly those referring to the relationship of the general secretary to the executive.

If the debate is not curtailed, Mr Weighell is likely to argue strongly against the left's allegations, which suggest that he has withheld information and correspondence, refused special meetings requested under rules, declined to place items on the executive agenda and "distorted" the meaning of executive decisions or in some way frustrated their application.

Bank terminals opposed

BY OUR LABOUR EDITOR

THE BANKING industry and Finance Union (Bifin) is to oppose the spread of banking facilities through the use of terminals linked to a bank's computer, to places other than banks.

A report by Bifin on new technology in banking recommends opposition to such terminals and says the union would call on other trade unions to support its stand. It is also opposed to shopworkers refilling cash machines "to the detriment of bank employees."

The report sets out a model agreement on new technology to preserve jobs, gain joint control of changes in working practices and expand services. The union says that, where

an employer refuses to sign such an agreement, it will "have to assess the implications of the technology being introduced by the employer, and whether to advise its members to obstruct its introduction."

It also says it will withdraw support for Youth Opportunities Programme schemes in the absence of new technology agreements "unless it can be clearly shown by the employer that the employment of these young people is not excluding them from becoming permanent staff."

Bifin is concerned that automated equipment should not be used to monitor how quickly staff members work or their use of telephones.

Union leader 'not invited'

MR KEN GILL, general secretary of the engineering whittaker union AUEW, has said that he had no knowledge of a meeting of leaders of all four sections of the Amalgamated Union of Engineering Workers - engineering, foundry,

construction and TUC - which a report in last Friday's Financial Times said had been arranged for yesterday evening in Epsom. He said no invitation had been extended to him to attend such a meeting.

APPOINTMENTS

Regional directors for NatWest

Mr Geoff Richardson has been appointed regional executive director of NATIONAL WESTMINSTER BANK'S south east region, of which he has been deputy regional director since 1978. He succeeds Mr Peter Spencer who retires on June 30. Mr Peter Tyley, formerly area director, Bedford area, has been appointed deputy regional director of NatWest's south east region. He succeeds Mr Geoff Richardson who becomes regional executive director.

Mr Derek Palmer, chairman and chief executive of Bass, and Mr Nicholas Wills, a director of The British Electric Traction Company have been appointed to the board of DRAUGHTON CONSOLIDATED TRUST, a company managed by Drayton Montagu Portfolio Management.

MICROSOFT EUROPE, newly former subsidiary of Microsoft Corporation, U.S., has appointed Mr Chris Gare as director of European marketing and will initially be based in the UK. He joins from Motorola.

Mr George Walker, Mr John Marshall and Mr Roy Owens, formerly partners with Carr

Sabag and Co. have recently joined RYCAT AND AITKEN as associated members of the Stock Exchange.

Mr R. J. S. Barker has joined C. H. INDUSTRIES as group financial director.

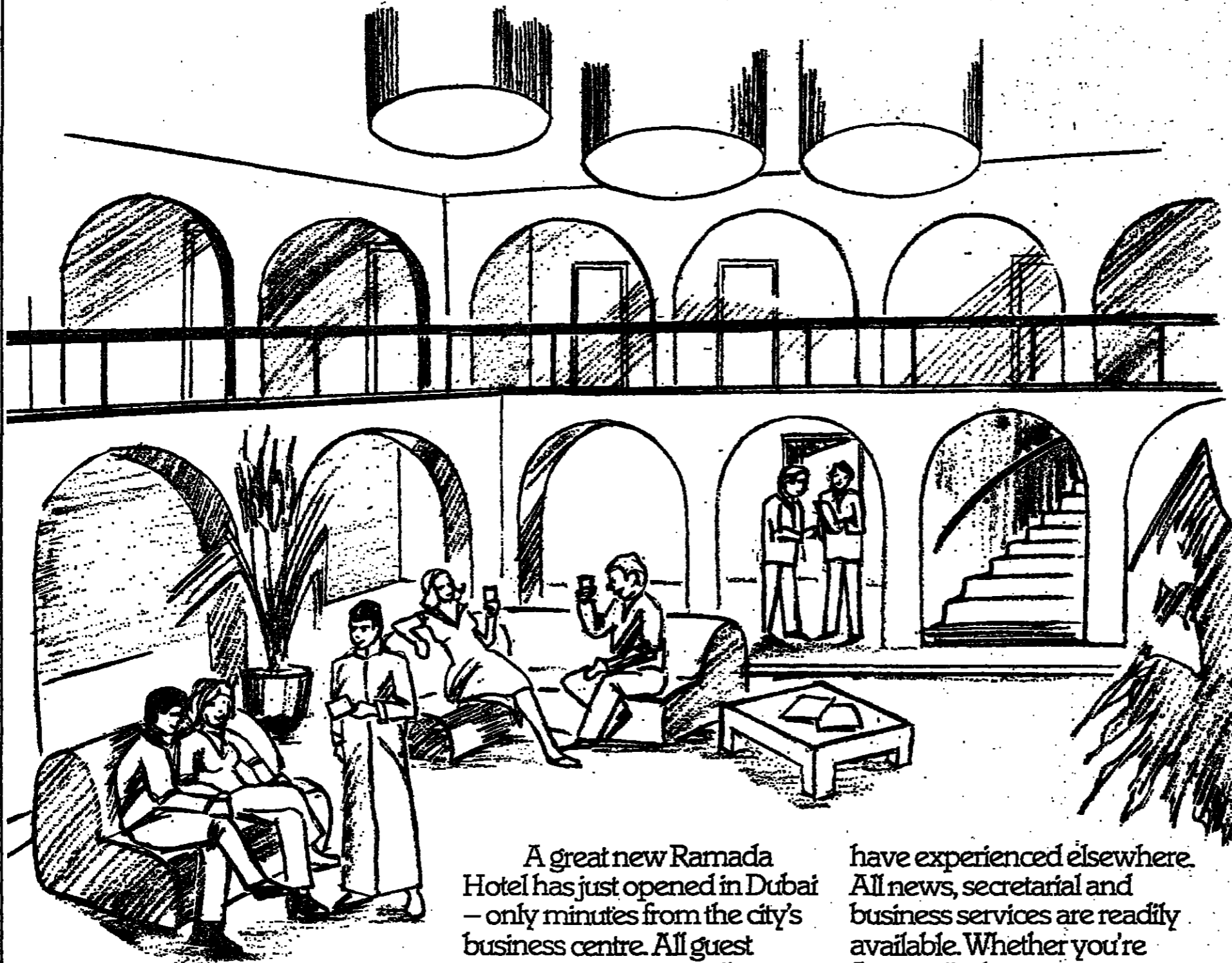
Mr David Stern has been appointed senior director and chief executive, UK operations, at the MEMORY GROUP. He will be responsible to the main board for the three group companies in the UK: Memory Computer Services, Memory Computers (UK) and Memory Computers (Northern Ireland). Mr Barry Grees has been named deputy chief executive - and has also been appointed managing director of Memory Computer Services. New managing director of Memory Computers (UK) is Mr Graham Barrett. Memory Computers (NI) also has a new managing director. He is Mr Brian McCallum.

Mr R. Andrew Lewis has been appointed production director of P. I. CASTINGS (ALTRIN-CEAM). He was previously production manager. Mr D. N. Grees has retired from the board of P. I. Castings Group.

BASE LENDING RATES

A.B.N. Bank	12 3/4%	Robert Fraser	13%
Allied Irish Bank	13 1/2%	Grindlays Bank	13 1/2%
American Express Bank	13 1/2%	Guinness Bank	13 1/2%
Amro Bank	13 1/2%	Harrods Bank	13 1/2%
Henry Ansbacher	13 1/2%	Heritable & Gen. Trust	13 1/2%
Arbutnot Latham	13 1/2%	Hill Samuel	13 1/2%
Associates Cap. Corp.	13%	C. Hoare & Co.	13 1/2%
Banco de Bilbao	13 1/2%	Hongkong & Shanghai	13 1/2%
BCCI	13 1/2%	Kingsnorth Trust Ltd.	14 1/2%
Bank of America	13 1/2%	Knowles & Co. Ltd.	13%
Bank of Ireland	13 1/2%	Lloyds Bank	13 1/2%
Bank Leumi (UK) plc	13 1/2%	Mallinhal Limited	13 1/2%
Bank of Cyprus	13 1/2%	Edward Manson & Co.	13 1/2%
Bank Street Sec. Ltd.	13 1/2%	Midland Bank	13 1/2%
Bank of N.S.W.	13 1/2%	Sammel Montagu	13 1/2%
Barque Belge Ltd.	13 1/2%	Morgan Grenfell	13 1/2%
Banque du Rhone et de la Tunisie S.A.	13%	National Westminster	13 1/2%
Barclays Bank	13 1/2%	Norwich General Trust	13 1/2%
Beneficial Trust Ltd.	13 1/2%	P. S. Nelson & Co.	13 1/2%
Bremar Holdings Ltd.	13 1/2%	Roxburgh Guarantee	13%
Brit. Bank of Mid. East	13 1/2%	E. S. Schwab	13%
Brown Shipley	13%	Slavenburg's Bank	13 1/2%
Canada Perm't Trust	13%	Standard Chartered	13 1/2%
Castle Court Trust Ltd.	13%	Trade Dev. Bank	13 1/2%
Cavenish City Trst. Ltd.	14 1/2%	Trustee Savings Bank	13 1/2%
Cayzer Ltd.	13 1/2%	TCS	13 1/2%
Cedar Holdings	13 1/2%	United Bank of Kuwait	13 1/2%
Charterhouse Japbat.	13 1/2%	Whiteaway Laidlaw	13%
Choulatons	13%	Williams & Glynne	13 1/2%
Citibank Savings	13 1/2%	Whitins & Tomes	13 1/2%
Clydesdale Bank	13 1/2%	Yorkshire Bank	13 1/2%
C. E. Coates	13 1/2%	Members of the Accounting Houses Committee	
Comm. Bk. of Near East	13 1/2%	7-day deposits	8.5% - 11-month 8.75% - Short term 8.00/12 month 12.1%
Co-operative Credit	13%	10-day deposits on savings account	10.00% - 100,000 10% - 250,000 and over 11%
Co-operative Bank	13 1/2%	Call deposits	11,000 and over 9.75%
Corinthian Bank	13 1/2%	21-day deposits over 2,000 10.5%	
The Cyprus Popular Bk.	13 1/2%	Demand deposits	9.5%
Duncan Lawrie	13 1/2%	Mortgage base rate	
Eagle Trust	13 1/2%		
E.T. Trust	13%		
Esster Trust Ltd.	13 1/2%		
First Nat. Fin. Corp.	13 1/2%		
First Nat. Secs. Ltd.	13 1/2%		

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MANAGEMENT

Why Wedgwood went Japanese

Christopher Lorenz on the pottery company's success with quality circles and others' failures.

THE dapper young Japanese executive from Toyota Auto Body flashed yet another view-graph onto the screen. This one was a sort of flowchart with a legend at the top suggesting his company's employees are motivated by:

Not only does job satisfaction seem to be improving, but also performance; the two are by no means always linked, whatever the "human relations" school may say.

Part of the improvement in individual performance may have been stimulated by the Damocles sword still hanging over the head of Wedgwood's employees: recession and competition have slashed their number by a third over the past three years to 6,500, and the company is still suffering in the marketplace.

But the introduction of "quality circles" has also definitely played a role, as every-one from the chairman, Sir Arthur Bryan, to slipshoed labourer John McNaughton, will tell you if you give them half a chance.

As the "facilitator" in charge of promoting and co-ordinating Wedgwood's quality circle programme, 59-year-old Dick Fletcher has expended considerable effort, drawing on his lifetime of experience in the pottery industry, on ensuring that people "keep rigidly to the Japanese rules," as he puts it.

These are voluntary groups of eight or ten close colleagues — "natural work groups," in other words—who are given special training in the techniques of identifying, analysing and solving problems. It is this training, plus the fact that the members are led, not by a middle manager but by one of their peers or their supervisor/foreman, which sets quality circles apart from all the project groups and other forms of joint management shopfloor groups which have been used by companies for years—often to little effect.

As Dick Fletcher says of Wedgwood's own experience, "This is the first time that operatives have been able to put forward views that are not just ideas, but facts." At Wedgwood and elsewhere, shopfloor workers are at last becoming able to hold a dialogue with management at technical equals over the detail of factory layout, production systems, tool design, and so forth.

Some of the 116 circles that have been formed at Wedgwood over the last 15 months have created remarkable cost savings for the hard-pressed company: one has produced an annual £100,000 by improving the efficiency of mould-making, while another has saved £500,000 a year by cleaning-up the slip (liquid clay).

Other achievements are more modest. But they all add up to substantial extra efficiency, not to speak of the much better atmosphere between shopfloor and management—top management, anyway. As in the many other European and U.S. companies which have rushed to install quality circles over the past two years, some middle managers have been understandably reluctant to see their authority "usurped," as they see it.

Such resistance will be stiffened by the tendency of many companies to see quality circles as a cure-all for either their quality problems or the shortcomings of their motivational policies (or both). The tendency to jump on the quality circle bandwagon just as a gimmick, or without sufficient thought, is already showing signs of getting circles a bad name in some quarters (perhaps spheres is a more apt word).

Dialogue

Suggestion

The dangers of pseudo circles

THE WEEK IN THE COURTS

Single, tripartite arbitration

WHENEVER there are disputes under two related contracts, both of which provide that such disputes should be determined by arbitration, it is highly desirable that there should be a single, tripartite arbitration conducted before a single arbitrator.

There has been a tendency in the past to allow the separate arbitrations to go their own separate ways, and not to give overriding priority to the need for avoiding multiplicity of proceedings. The view taken is that the provision for joining of a third party to an arbitration, involving substantially similar issues, is merely to facilitate the resolution of the parties' disputes and not to cut down the individual party's right to bipartite arbitration under his own agreement.

The Court of Appeal thought differently. It held that there were ample powers in the court to appoint the same arbitrator for both arbitrations. At an early stage the single arbitrator would have a pre-trial hearing at which he would segregate the various issues and assign them to the first and subsequent arbitrations. The issues in the main arbitration would then first be resolved. Where there were separate points they would be dealt with separately, but some issues would effectively be resolved to cover the two arbitrations.

The court was impressed with the argument that there were great advantages, in terms of time and money, if there were a single arbitrator and a tripartite arbitration. No doubt a single arbitrator would be influenced in the second arbitration by what had passed in the first. The risk of that occurring was at least minimal if the single arbitrator was judicially qualified and of high calibre. In the Eastern Bechtel case the arbitrator chosen in the main contract was Sir John Megaw, a former distinguished Lord Justice of Appeal. If difficulties arose, the single arbitrator could always come to the court and seek to be relieved from conducting the second arbitration. And if he clung on to his remit, any party which felt that it was being prejudiced could likewise seek the court's assistance.

RACING

Prima Boy sprang a welcome surprise for his trainer, Walter Bentley, when defying 9 at 7 lb in last year's Home Ales Gold Tankard, but there seems little likelihood of his repeating the feat in today's running of the Nottingham brewery prize. Since that Home Ales victory Prima Boy's fortunes have plummeted and it is a sad reflection on the veteran's decline that he failed to be placed in six appearances this season.

Down the field last time out at the end of Royal Ascot's Wokingham Stakes after showing speed in the first half of the race, Bentley's Salus gelding appears to have virtually no chance of upsetting the second in that event, Camisite.

In addition to saddling Camisite at Nottingham, he has On Stage among the runners for Windsor's Fall Mall Stakes. Judged on his initial effort at Redcar, this bay colt by Comedy Star out of Last Case should have few problems. At today's Hamilton meeting, Feeling Great should be chased home by Thistle in the Scottish Rifles Maiden Stakes.

It was a memorable afternoon for the young Newmarket trainer Bill O'Gorman on the corresponding day a year ago, with Swynford's Passion's 25-1 Nottingham success being followed by a 16-1 victory for Tamdown Flyer at Windsor. It is quite possible that O'Gorman will again have plenty to celebrate at the close of racing today.

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TELEVISION

BBC 1

10.55 am Cricket: Second Test. England v India from Old Trafford. 1.05 News After Noon. 1.35 Pigeon Street. 1.50 Wimbledon Lawn Tennis Championships. Ladies' singles quarter-finals. 2.38 Regional News for England (except London). 3.40 Play School. 4.05 Wimbledon (further coverage).

BBC 2

10.30-10.55 am Play School. 1.35 pm Cricket and Wimbledon. 5.05 Newsround. 5.10 Blue Peter. 5.35 Cricket and Wimbledon. 7.30 News-Summary.

CHANNEL

7.20 pm Channel Lunchtime News. What's on and weather. 6.30 Channel Report. 10.28 Channel Late News. 11.40 Journa! '82 on France. 11.45 The Incredible Hulk. 12.35 News and weather in French.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 Rainbow. 12.30 Superstars. 1.00 News with Peter Sissons. News with Robin Houston. 1.30 Jumbo. Starting: Hoyle Day. Stephen Boyd. and Jimmy Drayton. 3.48 World Cup '82. 6.15 News. 6.30 Thames News with Andrew Gardner and Rita Carter. 7.00 Coronation Street. 7.30 "Gold" starring Roger Moore and Susannah York. 9.30 Best of British: "The Lovers". 10.00 News. 10.30 World in Action. 11.00 World Cup '82 Highlights. 11.40 Barney Miller. 12.10 am Close: Sit Up and Listen with Tim Beaman.

ANGLIA

1.20 pm Anglia News. 8.30 About Four into One.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 6.30 North Tonight. 11.40 Top Rank Fight of the 70's (All v Norton). 12.40 am North Headlines.

GRANADA

1.20 pm Granada Reports. 6.30 Granada Reports. 11.40 Danger UXX.

HTV

1.20 pm HTV News. 6.30 HTV News. 11.40 HTV News. 11.40 Video Sounds. HTV Country/Wales. As HTV West.

SCOTTISH

1.20 pm Scottish News. 6.30 Scotland Today and Christmas. 11.40 Late Call. 11.45 News Tonight.

TYS

12.37 pm Gus Honeybun's Magic Birthdays. 1.20 pm TYS News Headlines. 1.20 pm Today South West. 10.32 TYS Late News and Weather. 11.40 pm News. 11.45 The Incredible Hulk. 12.35 am South West Weather and Shipping Forecast.

TVS

1.20 pm TVS News. 1.30 "Dew! at Four o'Clock" starring Spencer Tracy and Frank Sinatra. 6.30 Coast to Coast. 12.00-12.10 pm Dew! Mervyn Dymally. 6.30-7.00 Report Wales.

TYNE TEES

8.20 pm The Good Word. 8.25 North East News. 8.30 News at Ten. News and Lookaround. 8.30 Northern Lites. 10.30 North East News. 11.40 Old Man's Story. 12.30 Yes to God.

BORDER

1.20 pm Border News. 6.30 Lookaround Monday. 6.45 Farmer's World. 11.40 Border News Summary.

CENTRAL

1.20 pm Central News. 6.30 Central News. 11.40 Central News. 11.45 Central News. 11.45 Video Sounds. HTV Country/Wales. As HTV West.

YORKSHIRE

1.20 pm Yorkshire News. 6.30 Yorkshire News. 11.40 Yorkshire News. 11.45 Yorkshire News. 11.45 Video Sounds. HTV Country/Wales. As HTV West.

RADIO 1

(S) Stereo broadcast (when broadcast on VHF). 5.00 am As on Radio 2. 7.00 Mike Read. 9.00 Simon Bates on the Radio 1 Roadshow. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 4.30 Peter Dinklage. 7.00 Stayin' Alive with Andy Peebles. 8.00 David Jensen. 10.00-12.00 John Peel (S). 11.45 Radio 1 and 2. 5.00 am With Radio 2. 2.00 pm Ed Stewart plus Purcell Favourites (S). 4.00 Colin Barry (S). 6.45 News. Sport. 8.00 John Dunn (S). 7.00 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Ray Moore (S). 7.30 Tony Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 Wimbledon 82. 7.00 John Dunn (S) (continued from VHF). 8.00 Folk on 2 (S). 8.00 Humphrey Lyttelton with The Best of Jazz (S). 9.50 Sports Desk. 10.00 Fanny You Should Ask. 10.30 Star Sound with Nick Jackson. 11.00 Beat Mother with Round Midnight (stereo from midnight). 1.00 am Encore (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 8.00 News. 9.05 This Week's Composer: Delius (S). 10.00 BBC Scottish Symphony Orchestra (S). 10.55 Dalmeida Quartet (S). 11.35 Debussy piano recital (S). 12.00 Mozart concert (Austrian Radio recording from the Salzburg Mozart Festival) (S). 1.00 pm News. 1.05 BBC Lunchtime Concert.

RADIO 4

6.00 am News Briefings. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 6.35 The Week on 4. 6.43 (S). 2.00 Matinee Musicals (S). 3.00 New Records (S). 4.55 News. 5.00 Mainly Pop Pressure (S). 6.25 French Organ Music (S). 7.00 The Ultimate Astonisher (S). 7.45 "I Know Della Lane" comic opera in three acts by Hayden, Act 1 (S) sung in Italian). 8.55 Six from South Kensington by Colin McLaren (S). 9.00 "I Know Della Lane". Acts 2 and 3 (S). 10.45 Jazz in Britain featuring the Dan Jazz Quartet (S). 11.15 "I Know Della Lane". Wave on VHF except 10.55 am-8.25 pm Cricket: Second Test-England v India. 1.00 am News Briefings. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 6.35 The Week on 4. 6.43

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THE ARTS

Rolling Stones

Antony Thornicroft

Although the tag embarrasses them any doubts that the Rolling Stones were "the greatest rock and roll band in the world" were dispelled at Wembley Stadium this weekend. No one else could have transgressed so far into a nice place for a reunion party.

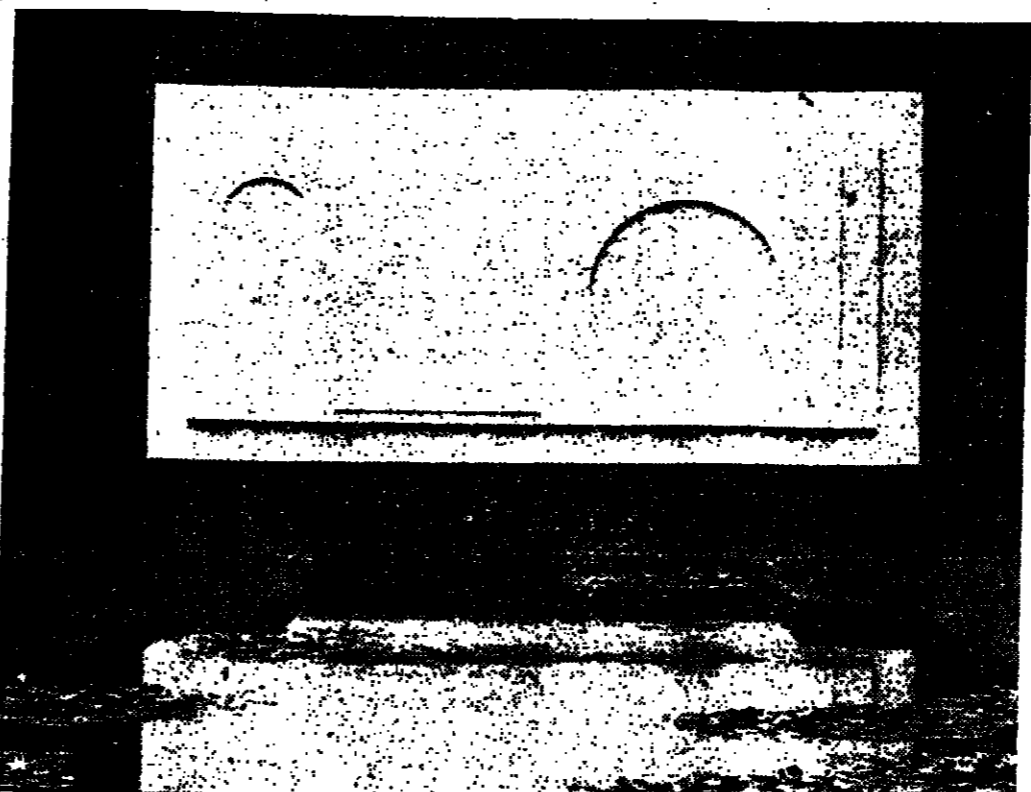
action and only disappearing for a change of costume into a bikini top or a woolly sweater. You realise at the end that you hardly notice his voice, only that the whirlwind is over.

Sutton Place — for love or money

Sutton Place, near Guildford in Surrey, is one of the two most important English houses of the 1520s. With Hampton Court and Layer Marney it is one of the few places where there is extant, high quality Renaissance terracotta decoration.

Architecture

Colin Amery



The Ben Nicholson sculptural wall, the artist's last commission, and his only large scale work, clad in carrara marble

of Repton has so much earth moving, lake making, folly building and water working been seen in Surrey. The scale of the undertaking is hard to grasp at first—half a mile of lake is only part of it.

seems an unnatural element and very much at odds with the idea of serenity and natural order the Nicholson conveys. On the east side of the house is a new walled garden that is alive with the sound of trickling water.

quota of leatheren jugs on the refectory table. Diagonal striped corduroy covers the shapeless sofas and pots of bamboo stand about as though this was the foyer of an office building.

A Midsummer Night's Dream

Rosalind Carne

This is the month of the Dream, and, judging from my colleagues' responses, it has become a major production for the same problem. Every amateur knows the difficulty—how do you deal with fairies?

comfort, especially when accompanied by noisy cranking. However, this shades quite well into an original score by Shelley Adams and Dee Ashworth.

Despite the very peculiar atmosphere that now reigns in the house the real reason to visit Sutton Place will be the quite extraordinary garden. Before departing for warmer climes, Stanley J. Seeger commissioned Sir Geoffrey Jellicoe to design the largest garden and landscape scheme to have been undertaken in Britain this century.

Don Giovanni/Theatr Clwyd, Mold

Max Loppert

"A hefty slap on the back" might describe Mr Gelliot's standpoint as regards words and action—lots of infelicities like "Your Loutship" and "second-hand virgin" in the dictio, lots of bits of conventional, such as the village lout's beer-bogging, quizzing fruit, and turning a banana skin for Don Ottavio.

voking, and un-awesome Don Giovanni of my experience. It may be currently fashionable to downgrade the cosmic significances of the opera. But to scamp these aspects in their entirety is to have failed to see the work whole—and, pace Mr Gelliot's programme note, that includes Da Ponte's contribution to it.

some phrases of impressive security and sharp attack; Ottavio (Richard Morton) and the Commendatore (William Mackie) revealed on the other hand their vocal discomfords rather more than their previous leaping only the diminutive Leporello of Nicholas Folwell as the nearest thing all evening to a rounded, finished portrayal.

Peter Pears winner

Peter Pears

The winner of the Peter Pears Prize, a competition for singers at the eight leading colleges of music, is Anna Guillelmi, 22, a student at the Guildhall School. She receives £1,000, thanks to W. H. Smith, which sponsors the event. Miss Steiger is the daughter of the actress Claire Bloom.

My warmest tribute is reserved for the mechanicals. Rodney Bewes lends unusual sensitivity and sweetness to his interpretation of Nick Bottom. He is, of course, a bit out with style and charm rather than vulgarity. There is a hint of West country, even a touch of Irish, about this successful tradesman in his natty tweeds and pork-pie hat.

Elsdon, Fairweather in tribute to Louis Armstrong

Louis Armstrong

Trumpeter Alex Welsh has been taken ill and will not be able to take part in this year's Louis Armstrong Memorial Concert in the Queen Elizabeth Hall, London on Sunday July 4. However, the Alex Welsh Band will appear with ex-members trombonist Roy Williams and saxist Johnny Barnes making it the "Grand Reunion Band".

F.T. CROSSWORD PUZZLE No. 4,908

- 1 Is coal crushed at this gathering (6)
2 For who would bear the whips and... of time" (Hamlet) (6)
3 Goes in about number ten, and thrives on it (7)
4 Welcoming with a drink (7)
5 Not yet published among the crowd (2,3,5)
6 Rejected by Narcissus, but she had the last word (4)
7 One follows 007 to the beach (5)
8 To bring it back was Hercules' first labour (4, 4)
9 The dress in which to return safely (3-5)
10 River takes us to the American state (5)
11 Mate in two (4)
12 Deep thought gives colour to a room (5, 5)
13 What gets in one's hair in oriental syndicate (7)
14 Country house with an inside refreshment (7)
15 Get even with the Spanish text (6)
16 The county needs it for a bachelor pad (3-3)
17 The allegory is the limit about Butler (7)
18 Particulars suggesting what the farmer's wife does to blind mice (7)
19 Cruiser goes East for a spree (5)
20 In China it is handy to be about fifty (5)
21 The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Artists and Admirers/Riverside

Michael Coveney

The British theatre is slowly catching up with the founder of modern Russian drama, Alexander Ostrovsky. Following the triumphant RSC revival of The Forest, the Riverside Studios present as their first home-grown show for two years Ostrovsky's richly panoramic comedy that was premiered, late in the playwright's life, at the Maly Theatre in 1882.

Xenakis/St. Barts

Dominic Gill

I have long complained that the Franco-Greek composer Iannis Xenakis is known to British concert audiences only by a very incomplete and arbitrary selection of works which excludes the majority of his important compositions of the past decade. In the early 1970s the redoubtable Lina Lalandi and her English Bach Festival used to keep us abreast of most of Xenakis's latest work.

Grid for crossword puzzle with numbers 1-22 indicating starting positions for clues.

THEATRES section listing various theatrical productions, venues, and dates across the country.

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FINANCIAL TIMES

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Monday June 28 1982

The fallout from Mr Haig

THE RESIGNATION of Mr Alexander Haig as his replacement by Mr George Shultz as U.S. Secretary of State is not, in itself, a cause for European concern. Indeed there are reasons to believe that Mr Shultz could be a rather better Cabinet officer than his predecessor.

Mr Haig was an Atlanticist. He knew Europe well from his days as Supreme Commander at Nato. He understood European politics and European sensitivities. Europeans in turn had come to appreciate him as someone who would try to ensure that their interests would not be entirely overlooked in Washington.

Yet there were signs, especially of late, that he was not completely at home with President Reagan's machinery of Government. He did not fit in with the Californians who tend to view America and the world from a west coast rather than an east coast perspective: the Atlanticist wing in successive U.S. governments has been traditionally east coast. There was also the odd sign of vanity, even of pique, if he was not getting his way. In terms of foreign policy the Reagan Administration was not working smoothly: Mr Haig had too many quarrels—with Mrs Jeane Kirkpatrick, the U.S. Ambassador to the UN, with Mr Caspar Weinberger, the Defence Secretary, and with the White House. He had come to be seen as constantly under attack from somewhere. Resignation had been talked of many times before it became a reality.

Team man

From the European point of view, Mr Shultz has many of Mr Haig's assets. He, too, is an Atlanticist and knows Europe well. He belongs to the east coast which is basically the medium through which Europe understands the U.S., and vice versa.

In some respects Mr Shultz may even have the edge. He is probably more of a team man than the prima donna that Mr Haig sometimes threatened to be. As a former Secretary to the Treasury, he is aware of the importance of economics in foreign policy. He may even please the Europeans in being rather more sympathetic than Mr Haig to the Arab world. Mr Haig was remarkably, even dangerously, pro-Israeli, especially during the latest excesses in the Lebanon.

It may also be reassuring to Europeans that the rest of the top officers at the State Department remain unchanged. Mr Laurence Eagleburger and Mr Walter Stoessel, who hold the offices just under the Secretary of State, are thoroughly professional diplomats with a knowledge of Europe more than had. But the U.S. is a super-power and Europe looks to America for an overall approach that takes account of the world's complexities.

Yet whatever may be said

either in sympathy for Mr Haig or congratulations to Mr Shultz, it cannot easily be argued that European-American relations have been going all that well. To take only a few broad examples: U.S. and West European views on the diplomatic emergency needed in the Middle East have increasingly diverged. There has been the running battle over defence expenditure, with the Americans tending to believe that the Europeans are not pulling their weight. On the economic side, there is European resentment at high American interest rates. The latest specific case of aggravation is the American ban on the supply of U.S. equipment, including the equipment of U.S. subsidiaries in Europe and of European companies operating under licence from American concerns, to the Soviet gas pipeline, a project which the Europeans are pledged to support.

Main damage

The pipeline is perhaps the most vivid illustration of what has gone wrong. The project will almost certainly go ahead and the main damage that has been done is to the Soviet economy, but to the U.S.-European relations.

While wishing the new Secretary of State well and hoping that his appointment will make for a more harmonious functioning of the U.S. administration, we would urge that two considerations be borne in mind. The first is that the preservation of the Atlantic alliance is not quite an end in itself, it should be at least a top priority to both Americans and Europeans. The second is that economic policy can no longer be isolated from foreign policy. Some of the greatest strains in U.S.-European relations have come in the economic field, and it is there that consultation is most needed.

Complex task

For a super-power in the last decades of the 20th century, seeking to manage international affairs has become an amazingly complex task. It is not simply a matter of trying to maintain the military balance of power between East and West. There are other records of power, such as Brazil, India or Iran, outside the central balance. There is the question of how the developing countries can fall into existing world trade arrangements. There is unfinished business in the Law of the Sea and the attempts to prevent the proliferation of nuclear weapons.

It would be unfair to lay all those problems at America's door: the American record is rampant and ugly architecture built since the war over much of London.

Tonight's debate should open the vital discussion on the need for new procedures to ensure higher architectural standards. Mr Heseltine has been bold in his advocacy of competition and his wish to speed up the interminable bureaucratic planning process.

What is missing is a clear method of ensuring architectural quality. Aesthetics are a subjective business and the mere fact that they are being discussed in Parliament is an important advance.

Parliament should reject the unsatisfactory winner of the Vauxhall Cross competition. It would also be helpful if Parliament could ensure that the judgment of architectural competitions is always independent—the role of the developer in the assessment should be limited.

The wrong way to plan London

TONIGHT A rare event will take place in the House of Commons—MPs will be considering matters of aesthetics. They will debate the Special Development Order that Mr Michael Heseltine has laid before the House to speed the erection of the winning design for the "Green Giant" site, just up the Thames from the Houses of Parliament, at Vauxhall Cross.

Mr Heseltine has been anxious to improve the standard of both commercial and public architecture. To achieve this, he has opted for the wider use of the architectural competition. This should be encouraged. Unfortunately, in the case of the Vauxhall Cross development, the competition has not been handled satisfactorily. The final choice was left to the developer, who has chosen the scheme of little architectural merit. The public was given a chance to voice its opinion of the three short-listed designs. But the public's choice did not tally with that of the developer, and was ignored.

Inducement

The use of a Special Development Order overrides the normal planning procedures—it was last used for the Wind-scale nuclear power station and has never before been used for private development. Only the objections of the entire Labour Opposition front bench have secured a debate on an issue that wide repercussions for the future of Britain's urban fabric.

The device of an SDO was offered by Mr Heseltine as an inducement to developers to accept the competition process. The idea was that it would guarantee developers some rapid decision-making once a design had been accepted. But the whole procedure risks ignoring the public interest. No one would question the

need for the standard of architecture to be improved, particularly in the capital and along the Thames. Mr Heseltine has rejected the development of any form of detailed planning brief for London. He is content, instead, to let competition—both aesthetic and commercial—dictate the future shape of the city. This approach leads to difficulties of its own. It was comprehensive planning that created the Barbican; and it was the dictates of commercial competition that created the rampant and ugly architecture built since the war over much of London.

Parliament should reject the unsatisfactory winner of the Vauxhall Cross competition. It would also be helpful if Parliament could ensure that the judgment of architectural competitions is always independent—the role of the developer in the assessment should be limited.

Framework

To ensure a revival of quality in the environment, particularly in London, MPs might consider ways of strengthening the powers of the Royal Fine Arts Commission and ensuring that any planning framework for the city gives equal weight to architectural quality as to speed of development and commercial viability.

BRITISH STEEL CORPORATION'S FUTURE

A crippling lack of demand

By Ian Rodger

THE British Steel Corporation is once again in crisis. The continuing weakness of Britain's main steel-consuming industries—motor cars, engineering and construction—is undermining the corporation's last ditch struggle to maintain its five bulk steel-making plants.

If BSC decides to close one of its plants—and it expects to make a decision in the next few weeks—that will mark the failure of the recovery plan adopted shortly after Mr Ian MacGregor became chairman two years ago.

If it does not close a plant, the chance of meeting the plan's target of breaking even at the trading level by next spring will be significantly reduced, thus risking the loss of vital government support.

The decision is made much more difficult by the fact that, for once, neither the off-maligned management nor the workers can be blamed for the corporation's sorry state.

The workforce has made big strides in the past two years, to improve productivity, reducing the number of manhours required to make a tonne of steel from nearly 15 to just over eight. But there is still some way to go. Mr MacGregor has said he is aiming to match the performance of the Canadian industry, where each worker produces 340 tonnes of steel a year compared to BSC's 212 tonnes per worker.

The corporation has also succeeded, in spite of appalling market conditions, in rebuilding its home market share from 47 per cent after the 1980 strike to its normal level of 54 per cent. Key customers, such as Metal Box and Guest, Keen and Nettelfolds (GKN), were so disrupted by the strike that they diverted much of their steel buying to foreign suppliers, but they now say BSC has won back their confidence and their orders.

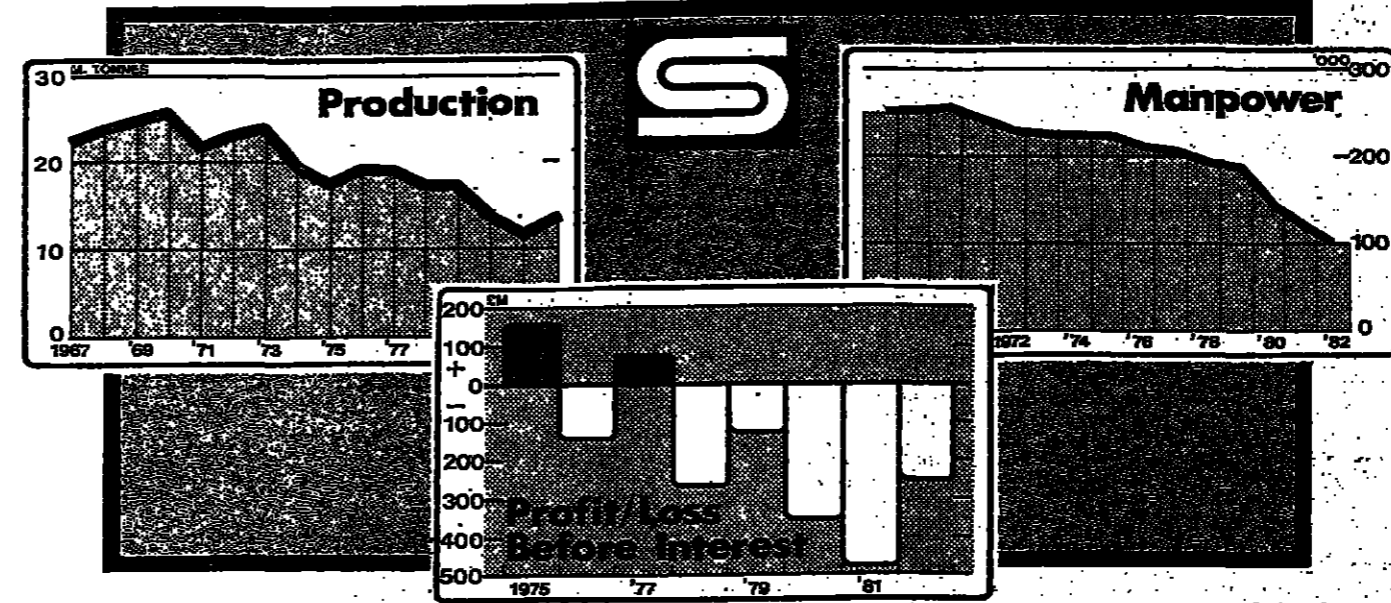
The problem is simply one of lack of demand. Since March, orders have fallen by about a third to an annual rate of only 7.3m tonnes and there is no sign of the upturn BSC was counting on to fulfil its plan.

The great tragedy of British steel is not the decline of the British Steel Corporation," Mr MacGregor said recently, "but the decline in the British manufacturing industries."

BSC has been chasing that decline for so long that it is difficult to remember the heady days of late 1972 when the then Government endorsed the corporation's ambitious £3bn expansion plan.

Crude steel making capacity would rise from 27m tonnes to 33m tonnes. Following the latest Japanese practice, bulk production would be concentrated on large coastal sites where super-carriers could land huge tonnages of iron ore and coal. Adjacent rolling mills would turn out long, efficient runs of finished products.

Partly because of political pressure and partly because of the many sites inherited at the



Graham Law

time of the 1967 nationalisation, BSC did not aim for plants as large as the Japanese, choosing instead to spread the expansion over five sites, Llanwern and Port Talbot in Wales, Scunthorpe and Teesside in England and Ravenscraig in Scotland. Together, their capacity would double to nearly 33m tonnes by the early 1980s.

But within a year, these ambitious designs were being undone by the effects of the world oil crisis and high inflation on Britain's manufacturing industries.

The number of cars produced in Britain is now 50 per cent lower than in 1972 and the value of new construction contracts is down 40 per cent. Mechanical engineering activity has declined 25 per cent since 1975. So much for the long, efficient runs of finished steel.

By the time of the 1980 steel strike, capacity had been cut to 15m tonnes and the workforce slashed from 210,000 in early 1976 to 166,000. Losses over the five years to 1979-80 totalled £1.6bn, and several big works had to be shut down.

But it was still not enough

and when Mr MacGregor became chairman in July 1980 it was widely expected that further substantial capacity cuts would be made and, in particular, that one of the five bulk steelmaking sites would have to go. After all, the five together were by then producing less steel than was forecast in 1972 for Teesside alone.

But in December, Mr MacGregor surprised everyone by seeking only a small reduction in named capacity to 14.4m tonnes and the elimination of only a few peripheral plants.

The five bulk steelmaking plants would be maintained, although manpower would be cut to the bone. The thinking was that, with only a slight improvement in demand in 1982—and the recovery of its market share—BSC could break even by the spring of 1983 and then go on to make profits.

Moreover, by maintaining the five plants, the corporation was keeping an extra margin of capacity in case demand moved strongly higher in the mid-1980s. Because of its commitment in the overall European steel capacity cutbacks, BSC does not like to be specific about

its "potential" capacity as opposed to its "named" capacity, but the potential figure is believed to be around 20m tonnes, an extra third.

It was a daring plan; Mr MacGregor himself called it optimistic at the time and said contingency plans for liquidating portions of the business would be promptly implemented if the corporation failed to achieve the targets set.

In the event, BSC has so far met all its industrial targets, regaining its market share, increasing its exports and making spectacular improvements in productivity. Another 66,000 jobs have been eliminated in the past two years and some of the plants, notably in South Wales, are operating at internationally competitive cost levels.

Until this year, the corporation was also meeting its financial targets, thanks in part to the higher prices made possible by the crisis measures taken by the European Commission. If it had not been for the disruptions caused by the rail strikes and the bad weather in January, BSC would have been well ahead of its target of reducing

its pre-interest loss to £70m in the second half of last year.

Then in March, demand suddenly dropped away. Producers initially attributed it to the aftermath of extra stocking by customers in advance of price increases on most steel products early in the year. But when the slump persisted into May and June, they had to acknowledge more fundamental causes.

The main steel-consuming industries in the UK are still deeply depressed. BSC has now abandoned its forecast that they would show a 1.5 per cent increase in output this year, and is looking for the construction and manufacturing industries to turn around early next year.

For the past few months, corporation officials have been hinting that the target break-even point of March, 1982 could recede to the summer. More recently, they have added that the corporation could slip back into losses again after reaching breakeven.

Then came the U.S. Government's move earlier this month to impose countervailing duties on subsidised steel imports. BSC was singled out as the most highly subsidised source and

henceforth, importers of BSC products have to post bonds equal to 40 per cent of their purchase price. Few were expected to want to continue to buy BSC steel.

Given the continuing squeeze, BSC officials inevitably reflect that if they shut one of the five bulk steel plants, operating and financial results would improve dramatically.

Mr MacGregor himself has said that five sites are too many for making only 14.4m tonnes of steel. So there can be little doubt of what the board had in mind when recently it launched a review of its plant configuration.

Reducing capacity in steel is never as simple or neat as it sounds. The about-turn in the late 1970s left Teesside, for example, with an immense new blast furnace that could make far more iron than its steel plant could handle. Port Talbot's basic oxygen steel converting plant never got the third vessel that would have made its operation much more efficient.

But now there is a fairly clear choice. Ravenscraig in Scotland is one of three steelmaking sites associated with strip mills, the others being Llanwern and Port Talbot. Demand is very weak in this sector and the loss of one plant would scarcely be felt.

Ravenscraig is thought to be the most vulnerable of the three, partly because productivity there has not improved as rapidly as elsewhere and partly because key local markets, such as the Linwood car assembly plant, have disappeared.

There is an irony in Ravenscraig's plight. Like the five-site plan itself, it exists because of a politically imposed compromise. In 1962, the Conservative Government of Mr Harold Macmillan insisted for political reasons on building two strip mills, in Scotland and South Wales, when an economic grounds only one was needed.

Closing Ravenscraig or any other big plant would be a difficult move for the current Government to endorse in the fourth year of its term. Scottish industry has been devastated in the past three years, with the loss of Linwood, the Wiggins Teape pulp mill at Fort William and the British Aluminium smelter at Invergoron.

But all this is perhaps unnecessarily pessimistic. BSC's latest corporate plan, through to 1985, still aims to maintain the present plant configuration, although the plan concedes that failure to achieve further cost cutting targets could result in the closure of one or more integrated plants.

Mr MacGregor himself says he is still optimistic, although he has an odd way of expressing it: "The absence of swallows does not mean that summer isn't coming."

HOW BSC COMPARES

THE DECLINE of Britain's steel industry has been uniquely severe in the major industrialised countries. Other steel industries have suffered to a greater or lesser extent with the series of recessions since 1973 and from the increasing pressure to produce steel as efficiently as the Japanese.

But none has suffered the precipitous 37 per cent fall in home consumption that has hit British Steel Corporation since 1972. In the U.S., for example, apparent steel consumption last year was down only 7 per cent from the 1972 level. In West Germany, it was down 18 per cent over

the same period, in France, 21 per cent and Belgium and Luxembourg 15 per cent.

In Italy consumption has actually increased 9 per cent in the past decade.

These figures are backed up by statistics of the main consuming steel industries. Whereas car production in Britain has halved since 1972, it has risen more than 1 per cent in Germany and fallen 22 per cent in France and 27 per cent in Italy.

Between 1973 and 1981, the engineering industries of France, Germany, Belgium and the Netherlands have all grown by more than 10 per

cent and Italy's by 30 per cent.

Thus, it is not surprising that other European steel-makers have not made as dramatic cuts in manpower and capacity as has BSC. In fact, according to EEC figures, every country except Britain and Luxembourg has raised capacity since 1973.

While BSC has cut its steel-making manpower by half since 1976, Italy's is unchanged, the Netherlands is down a fifth, Belgium's a quarter, Germany's 17 per cent and France's 37 per cent.

But the slump in demand in the past two years has hurt

even the strongest European steel companies and cutbacks are becoming more widespread.

The French Government announced earlier this month a £2.3bn plan to cut capacity from 23m tonnes to 24m tonnes. It is expected that 10,000 to 12,000 jobs will have to be shed.

Belgium's Cockerill-Sambre said in May it would cut capacity from 8.5m tonnes to 6.1m tonnes and reduce the workforce by 3,900.

But estimates of excess capacity in the EEC still range up to 7m tonnes so there is likely to be a lot more heartache all round.

Men & Matters

High flier at work

One man to be taking the tube strike with more than usual stoicism is Sir Peter Masefield, who as chairman of London Transport is at the very heart of the storm.

Yet Masefield, 68, finds his energies undimmed by the dismal wrangle, and still manages to spend between 5 am and 7 am each day writing books—the only time when his telephone does not ring, he explains.

"I find my energies compressed by all this rather than curtailed," Masefield says.

This year, he published his first book, appropriately titled *To Ride the Storm*. It is the result of his own research into what happened to the British airship, *R101*, which crashed after repeated warnings to the Government from technical experts.

His next will be the story of how Lord Thompson, the former Air Secretary, fell in love with the Romanian Princess Bibesco as a military attaché in Bucharest during the First World War.

Masefield plans two more about aviation and transport—a subject in which he is extraordinarily expert, since he was air correspondent for the Sunday Times in the early days of the last war, then Britain's first civil air attaché in Washington, and is now deputy chairman at British Caledonian. And this is only a small part of his wide aeronautical background. Last, but not least, he has started work on his autobiography.

Although Masefield is a firm believer in Parkinson's law—that work expands to fill the time available—he admits that retirement in September will allow him more time to concentrate on writing.

Keith-Bright, chief executive at Associated Biscuits, will be either retain their separate identity or be brought back

"And London Transport just about takes the biscuit, too."

Brainchild

It is a familiar complaint—too many British ideas and inventions have to wait to be developed commercially elsewhere. But when the topic cropped up during a luncheon chat in Co. Durham recently, those around the table decided to do something about it.

The outcome was the formation this week of a joint company by ICI and Stockton-based management consultants Martborough Teesside Management.

Their brainchild, Martborough Technical Developments, will assess the commercial value of ideas and opportunities which originate within the chemicals giant—or any other source—and set up, where possible, separate businesses to develop them.

Top brass at ICI believe that MTD will encourage new and profitable ventures in fields which otherwise might remain undeveloped in their own organisation.

Former ICI man Richard Lines, who with Brian Williams and Dr J. P. Resan, also from the chemical industry, set up MTD five years ago, says: "The speed of exploitation of new technology in this country has been slower than in some other countries. Some new ideas or processes in big organisations like ICI tend to get pushed to the end of the queue for capital. This is one way of getting them at least one notifiable step ahead of the competition and developed the specialty chemical manufacturing company Seal Sands, which it sold late last year for between \$5m-8m—to a U.S. group.

Lines says the joint company will fund similar ventures which, as they develop, may either retain their separate identity or be brought back

within the ICI fold.

Several ideas are already being examined—including the exploitation of the bio-degradable (it rots) plastic PEB (poly-hydroxybutyrate), which ICI makes from micro-organisms.

"We have the combination of technological know-how and commercial ability which should enable us to do the things here which, for lack of time, money or awareness have been left to others," says Lines.

Pressmen

A case of different strokes for different folks confronted a delegation of businessmen from the Far East on a tour of industrial plants in the U.S.

While the American machines whirred and thumped with impressively modern efficiency, the visitors were puzzled by the extraordinary level of safety precautions around the factory floor of one steel pressing shop.

Looking over a particularly mighty metal press, one of the visitors asked why it was necessary for two men to be permanently stationed either side of it, apparently contributing nothing other than their physical presence.

"Those," explained the hosts, "are the guards that we put there to make sure nobody gets a hand or two caught up in the machine."

The visitors dissolved at this point into a fit of apparently inexplicable giggles. The puzzled hosts asked what could possibly be regarded as funny. "There was an awkward pause, until the leader of the visiting delegation took it upon himself to explain their mirth. "What sort of a man do you have here," he asked, "who would want to put one or both of his hands into a 20-ton metal press?"

Royal insurance

Even the Socialist-inspired National Enterprise Board, now

part of the British Technology Group, seems to be cashing in on the current surge of patriotism and love of the monarchy.

Last year, it was decked out by Sir Frederick Wood, its new chairman, with a red, white and blue logo that looked like the tail of a British Airways jet. Now Wood has issued men on the staff with similarly striped coloured ties and the ladies with scarves.

Princess Anne officially opened the group's controversial Inmos micro-Bo plant in Colorado Springs during her visit to the U.S. and Prince Charles is thought to be lined up—in his capacity as Prince of Wales of course—to do the same for the Inmos factory now being completed in Newport, South Wales. A form of Royal insurance against the project being chipped by the Government one day?

Time piece

To point out the reliability and accuracy of its watches, Rolex has mounted an advertising campaign informing the world that it is responsible for the time keeping at Wimbledon.

It illustrates the point with a photograph of a Wimbledon scoreboard, the top of which carries the time by courtesy of Rolex. On the board itself, one side records the individual scores of four sets, showing that John McEnroe has won three and Bjorn Borg, one. The other side gives the total score, which it claims is one set all. Some mistake, surely?

Winding down

A compulsory winding-up order, I see, has been made against a company called Clock Face (DEY).

Observer

Modern Times...

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UK Property

Most sectors of the property market have spent another year in the doldrums, with voids increasing and rents showing little sign of recovery. There is some comfort, however, in that the market is now stoutly underpinned by institutions which last year invested a record £2bn.

Based to weather the hard times

BY MICHAEL CASSELL.

IT WOULD take an estate agent's fertile imagination and a property developer's blind enthusiasm to suggest that all is well with the UK commercial property market. It would, on the other hand, require an unhealthy blend of cynicism and pessimism to paint a picture of all-pervading gloom.

The property market has inevitably succumbed to the same recessionary influences which have made their mark on every sector of the economy. But after an unrealistic period in which many thought the market was somehow going to buck the trend, there is now a growing—though not universal—recognition that medium-term prospects are strictly limited.

There is at the same time considerable satisfaction—not to say relief—that the foundations of the UK property market are now buried deep in firm ground and clearly capable of withstanding the pressures bearing down on them; in happy contrast to the dismal days of the early 1970s.

The essential differences to have emerged over the last decade are by now well catalogued but at a difficult time like this are still worth repeating.

The property development

and investment markets are now dominated by institutions which do not necessarily avoid all the mistakes of their entrepreneurial predecessors but which are at least better placed to sit tight when the going gets tough.

Many of the unsound developer-trading activities and even more dubious financing arrangements, which once before invited disaster, no longer form constituent parts of the market's make-up, though the gradual return of some old and familiar names demonstrates their undying fascination with property and their ability to forget previous calamities.

But if the property markets do not harbour the same inherent structural weaknesses laid bare ten years ago, they are none the less experiencing some unwelcome, though less fundamental, difficulties.

The principal and simple problem is one of demand—or rather the lack of it. The recession has inevitably led to a widespread corporate retrenchment across a very broad field. With the reduction in numbers employed and the drive for greater efficiency and lower overheads has come a cut in

the volume of floorspace required to house industrial, warehousing and commercial activities.

The associated reductions in consumer spending have at the same time knocked an equally big hole in the retail property market.

Fluctuations in demand for floor space are hardly a new phenomenon and just how badly the commercial property markets suffer during periods of weakness depends on the extent to which they have kept in touch with the market place. The relatively modest weakening in trends to date would suggest that, in most respects, the industry has not wandered too far astray.

There is no question, however, but that the reduction in demand for accommodation, allied to some reasonably high levels of new development activity, has created the type of overall surplus which saps the strength and short-term growth potential from the property sector.

Repercussions

The repercussions have been arguably slow in manifesting themselves but they have finally worked through and have become progressively harder to deny.

Rental growth for most types of space has stagnated or, at best, merely managed to keep in touch with inflation. Rents overall are calculated to have been rising at their lowest rate for five years and the reality is that many have not risen on any basis.

Predictably enough, office

rents in locations like the City of London have performed best, with growth rates generally matching inflation, but the problem for less well located property is just as likely to be one of finding any tenant at any price.

The industrial property market, hit first and hardest, now has a historically high volume of floor space lying vacant around the country, much of it never likely to attract another occupier. With an inspiration born out of desperation, every marketing technique and gimmick in the estate agents' handbook has been used to find owners or tenants. Success has been patchy, though there are indications that the worst may be over and that lettings, while still on a highly selective basis, are again on the increase.

In the retail sector, the same pattern of weak demand and yawning voids has been repeated. In central London shop rents have continued their two-year slide and in Oxford Street they stand, according to one agent, more than 50 per cent down on the levels prevailing two years ago.

Such descriptions of the property market inevitably amount to generalisations about specifics and broadbrush assessments cannot take account of the individual deals and developments which have defied the general trend. There have been lettings involving property which appeared temporarily unlettable while, apparently attractive buildings remain empty.

But it is nevertheless clear that as surpluses of space have

multiplied so a market which often seems almost totally consumed by the virtues of quality and location has become even more obsessed with these guiding principles.

The indications are that such preferences are well founded, for when conditions deteriorate so the marketability and hence potential investment performance of different properties can begin to vary widely.

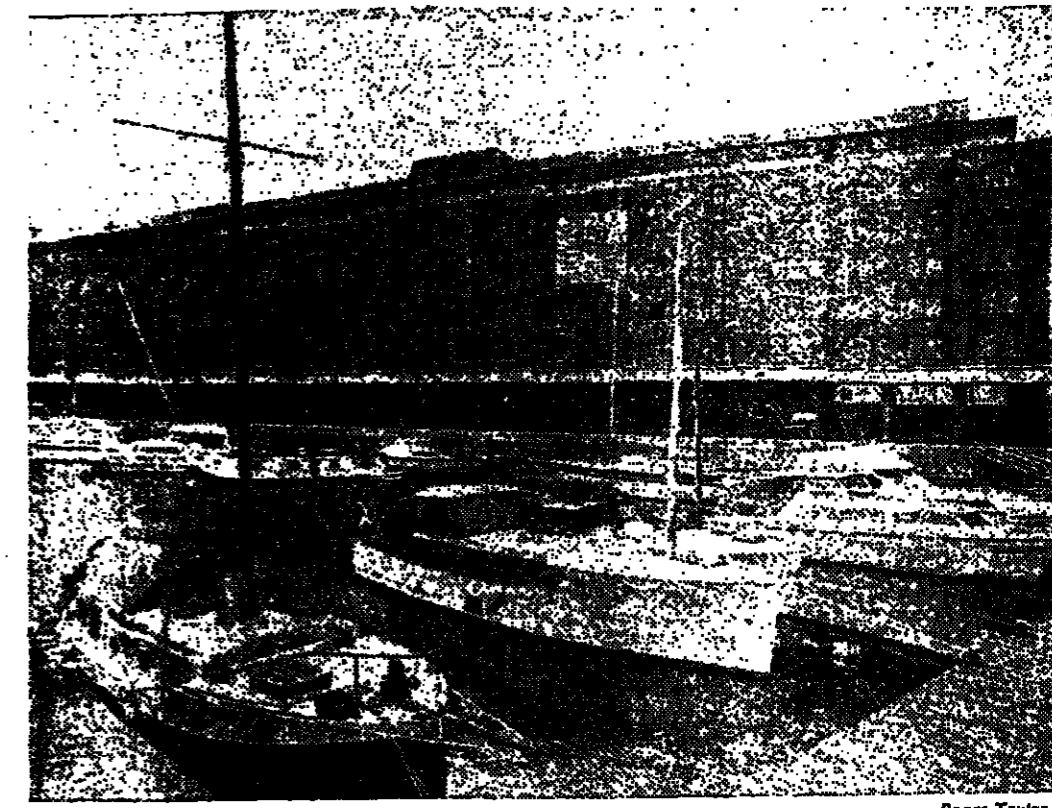
Defy reason

The investment market in commercial property is now interestingly poised. Institutional spending on property in 1981 reached a £2bn peak, ignoring the clear signs of deterioration in market prospects and helping to keep yields in most sectors at levels which, some claim, continue to defy reason.

In truth, the short-term problems of the property market have little significant impact on the overall institutional approach towards real estate as an investment option. Property, as one agent recently reminded everyone, is not and never has been a commodity to be traded in as stocks and shares and its characteristics do not easily lend it to very frequent performance analysis.

But if the appeal of property is unlikely to diminish in the eyes of the institutions, there is little doubt that, within that commitment, a review of preferences is underway.

While it may be true that prime yields are doggedly sticking to historically low levels, the definition of prime is itself becoming increasingly restricted. What a short while ago



London's former dockland areas contain considerable development potential. Taylor Woodrow's International House (above) is the second phase of the London World Trade Centre at St Katharine's Dock below Tower Bridge

was considered to be of institutionally prime standard is no longer necessarily seen in the same light—a trend which is tantamount to an easing of yields.

Across the country and in all types of property the market for secondary property investments, under their widening definition, remains limited and recent auction results have illustrated that imperfect industrial investments will only change hands at yields to the purchaser of over 10 per cent. For both shops and offices there are high vacancy rates in secondary and tertiary locations.

But can existing prime yields continue to be justified given the medium-term outlook for rental growth? There are those who suggest that as inflation moderates and rental growth reduces so yields will inevitably begin to rise.

Others, however, disagree. They emphasise that any investor should be looking for a long-term return which exceeds the rate of inflation; if that is set to run below 10 per cent for the foreseeable future then it is likely that rental growth will also run at lower levels. A

longer term reduction in inflation is, the argument goes, only likely to follow a period of falling interest rates and a reduced yield from alternative investment instruments, implying that target returns from property can also be adjusted downwards.

Who is correct remains to be seen but in the meantime there are clear signs of disenchantment, however temporary, with property among a number of institutions. Some have heavy development commitments which may well not begin to produce the income flow on a scale or within the time originally expected. Others have simply stopped buying for the time being.

The influence of the institutions on the property market is a controversial issue and is polarised between those who see them as a stabilising factor and those who regard them as a stuffy and stultifying sponsor. The least that can be said in their defence is that their pre-eminence (and their ability to sustain shocks to the system which others might not cope with) should help keep the property market on a relatively even keel.

CONTENTS	
Share markets	.....I
Volatile movements	.....II
Local rates	.....II
Burden on businesses	.....II
Investment	.....III
Inflow remains high	.....III
Incentives	.....IV
Abundance of grants	.....IV
City of London	.....IV
Even prime areas feel pinch	.....IV
Shop premises	.....V
Institutions keen	.....V
Industrial	.....V
Long wait likely	.....V
Offices	.....VI
Escape worst ravages	.....VI
West Midlands	.....VI
Developers' long-term view	.....VI
East Midlands	.....VI
Mood of caution	.....VI
South East	.....VII
Test of resilience	.....VII
South West	.....VII
Small premises fare best	.....VII
Scotland	.....VIII
Shopping developmentsVIII
North of EnglandVIII
Few sparks of lifeVIII

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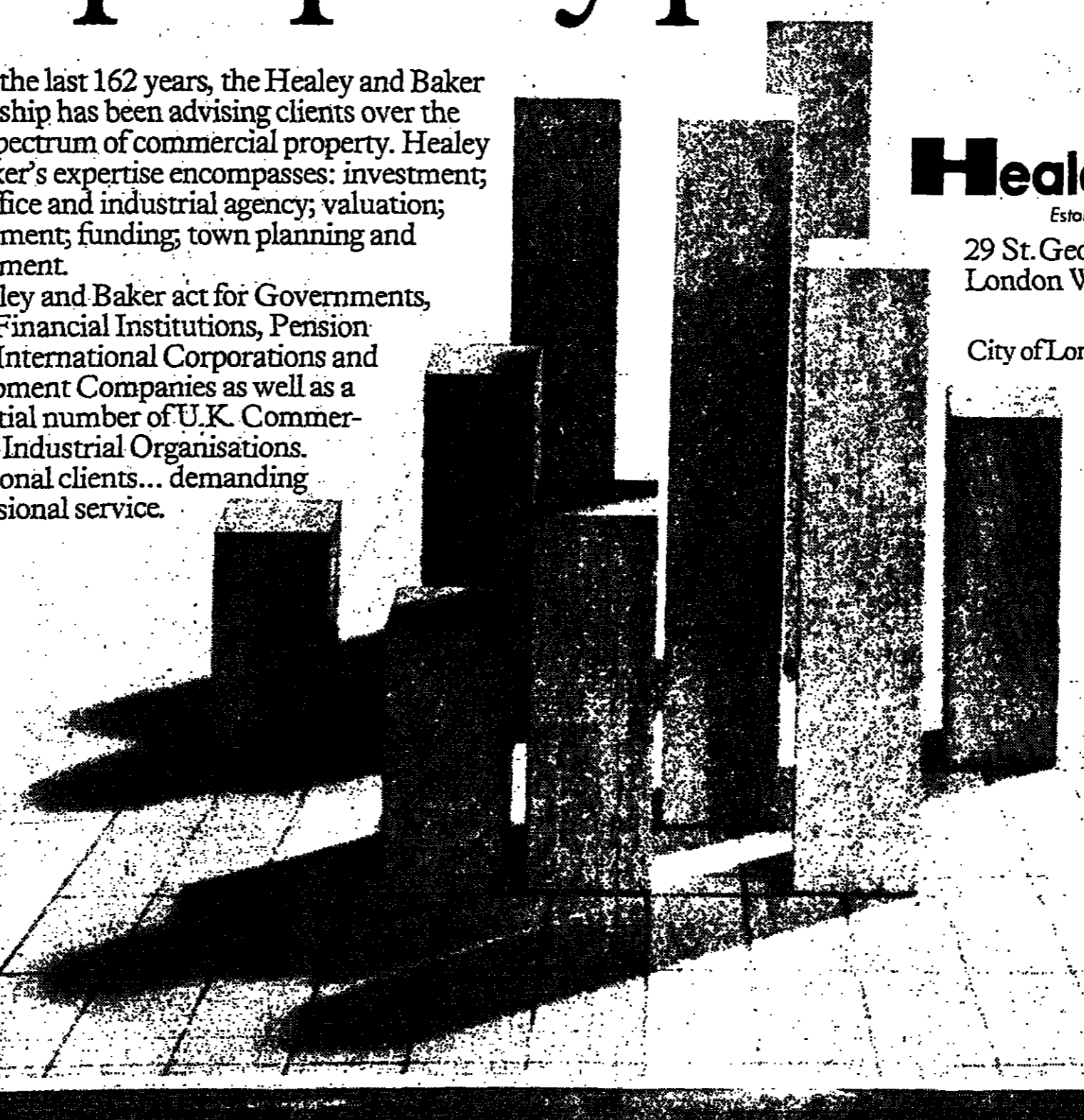
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UK PROPERTY III

Inflow remains high despite slackening of pace

PROPERTY is an illiquid investment. It follows that the ongoing debate about whether prime property investment yields should be, say, a percentage point higher is not frequently tested in the market since when people are buying more property than other people are selling, it is unlikely to be tested at all.

In April of this year the Central Statistical Office issued figures showing that institutional investment funds, in 1981 at least, were still on the biggest property spending spree yet recorded.

Apart from share acquisitions in property groups, the UK pension funds, insurance companies and unit trusts last year spent £1.95bn on direct property investment, a rise of about £100m on the record 1980 level.

They emphasised that for the purpose of this graph prime properties are those located in the "very best" positions of towns of the highest investment calibre. They were of the most marketable size and style, let to good and substantial tenants, on leases containing modern covenants, and with good rent reviews.

Their view was that high quality commercial properties were still properly valued on various reasons, especially the hardness of the dollar. UK enthusiasm for overseas investment might not currently be as buoyant as it was initially. But the overseas option exists and the increasing sophistication of investors suggests that it will continue to thrive.

Still in the U.S., the persistent efforts of American property men to sell their property to UK and other European investors may have come at a bad time in cyclical terms, selling before a recession really bites, as it has in certain areas of the U.S. property market, is likely to leave a sour taste. But the message that fixed investments in the U.S. are currently yielding more than 8 per cent in real terms and compare with something of the order of between 2 and 4 per cent in this country is still likely to be remembered in the medium term.

Index linked bonds are currently designed to show a real return of 2 per cent, probably a percentage point and a half below actuarial investment requirements. But who knows what the Government will have to borrow in future and what that will do to the real return on future index linked issues?

The tendency towards more aggressive management of investment funds offers little apparent impetus to a sector in which rental performance, the basis for growth or decay, has been frankly disappointing recently.

Healey & Baker turn the argument on its head, quite fairly, by noting that in contrast to an index-linked gilt, the opportunities for the property investor go far beyond passive acceptance of the performance of a stock in another's hand.

He has "the opportunity actively to work his investment by buying up or down within the tenure pattern, perhaps to refurbish or redevelop and the fruits of positive management are very real," they say.

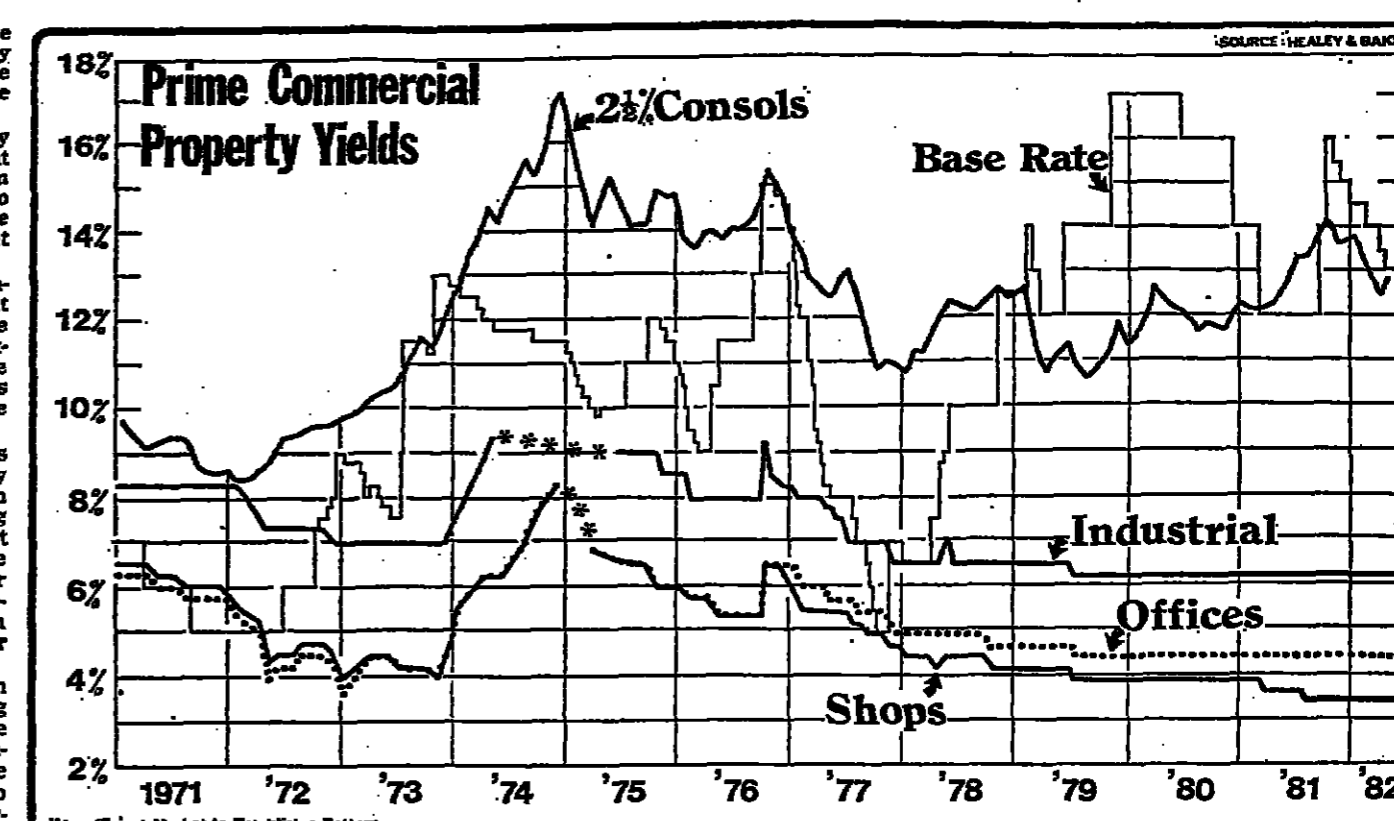
However, the logical extension of that argument is that the distinction between prime and secondary property investments will eventually become blurred; and secondary yields have definitely risen in the period of this recession.

On balance the dangers within the property industry itself seem more powerful than outside attractions. According to Hillier Parker's latest rent index at the end of May, average rents had fallen still further behind inflation over the previous six months and were then rising at their lowest rate for five years.

Even office rentals, which broadly succeeded in keeping in touch with inflation over the last two years, are now declining sharply in real terms. The situation was not seen likely to provoke the type of mass desertion which spread through the ranks of fund managers in the early 1970s but at the same time there were clear indications that property might well be entering a less fashionable phase from an investment standpoint.

Would prime yields ease upwards in that case? Perhaps not. But the definition of what is a prime investment could narrow

and in the foreseeable future the definition of prime should be more rigidly enforced and followed—while others are saying that the secondary market should be more closely analysed, and perhaps sub-divided so that the top end of secondary can



Together with other institutional buyers of property, the combined total reached £2.2bn against £1.9bn in the previous 12 months. The CSO statistics showed that the pace was slowing down in the final months of last year, but it was narrowing development margins, rather than any substantial weakening in the funds' desire to purchase prime property, which suggested that 1982 might see a less buoyant investment pattern.

A month later agents Healey & Baker, in a commentary accompanying the June, 1982, edition of their prime commercial property yield graph, said flatly that yields had maintained the same levels reported three months earlier—3 1/2 per

cent for shops, 4 1/2 per cent for offices and 6 1/2 per cent for industrial property.

INVESTMENT
WILLIAM COCHRANE

those yields and that there was a significant market at these levels.

Nobody, and that includes Healey & Baker, is ignoring the arguments against present yield levels. In the post-war period the growth of institutional investment funds has been outstanding in real terms and while some commentators expect real growth to continue at least until the end of this century, one cannot escape the fact that other avenues of investment have widened, and in some cases become significantly more attractive.

The relaxation of exchange controls after 40 years has meant that very large sums have been invested overseas. For

still further and as prime becomes secondary, the average yield on a formerly prime portfolio would rise, which amounts to the same thing.

One seeming paradox in all this is that some property professionals are arguing that now

put forward a case for institutional acceptance. Whatever the merits of that particular argument it seems increasingly likely that performance analysis will play a more important part in property portfolio investment and management than it has done in the past.

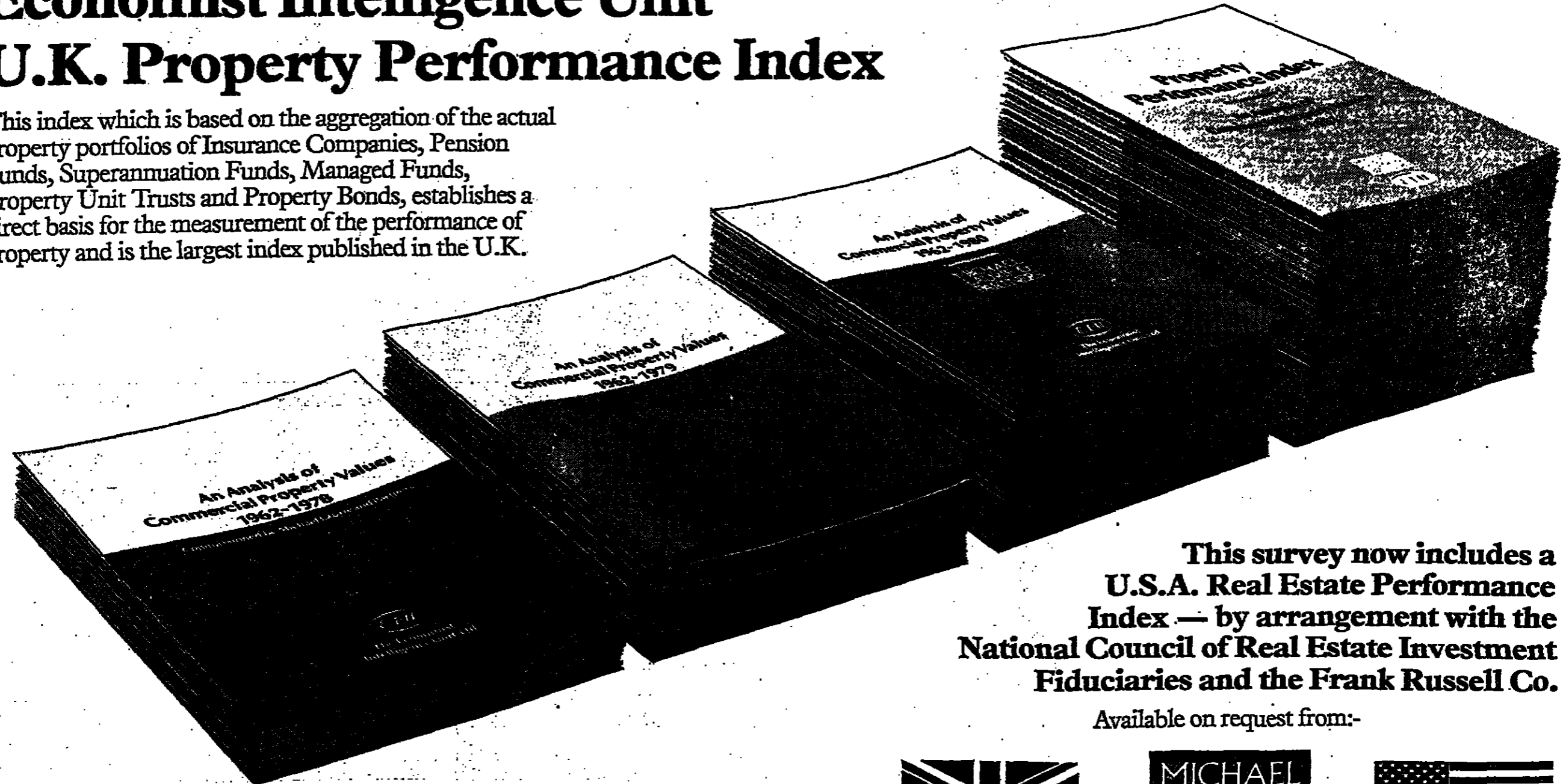
The latest entrant into the performance stakes is St

Continued on next page

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Abundance of grants and guidance

CHANGING politicians and changed conditions have over the past few years resulted in a plethora of grants and incentives available to companies in various parts of the UK. So much is available, in fact, that potential recipients of such help have to struggle through a veritable maze to find out just what benefits they are entitled to.

The biggest change in the grants and incentives system came about as a result of the 1979 General Election when the

INCENTIVES

DAVID CHURCHILL

Conservatives came to power and withdrew the map of assisted Britain. The change meant that instead of half the country receiving help of some type, help was concentrated where it was thought to be needed most.

In addition, the Government widened the gap between what could be obtained in special development areas—those parts of the country which have the greatest Government assistance—and in other areas.

The consequence of these changes will mean that from August this year the assisted areas will cover a quarter of the country in geographical terms. Until August certain interim arrangements have been in force.

Charting your way through what is and is not available would be impossible without the aid of various governmental

and semi-autonomous bodies to help.

Such groups include:
 ● The Development Commission: this organisation aims to encourage small industries and community development in rural areas. It is responsible to the Department of the Environment for the granting of advances from the Development Fund, which is voted annually by Parliament. Resources are concentrated on those rural areas which are particularly disadvantaged, called Special Investment Areas.
 ● The Council for Small Industries in Rural Areas is funded by the Commission and it is through CoSIRA that loans are available to companies in assisted areas and special areas. Discretionary loans of up to £50,000 for building and/or purchase of plant and equipment can be made subject to certain conditions.
 ● The British Technology Group, which will invest in companies involved in technical innovation as well as the more traditional industries within the

Assisted Areas, mainly in the north.

A considerable help for businessmen seeking preliminary information of what help is available and where to go for advice is Blay's Guide to Regional Finance for Industry and Commerce. (Published by Blay's Guides, Churchfields Road, Chalfont St Peter, Bucks.)

Mr Donald Black, managing director of Blay's Guides, emphasises the need for financial assistance for industry in order to get results. Local initiatives, often started by councils and supported by local business, can be far more effective in creating viable new jobs than anything else," he says.

"But there is no substitute for even limited loans or grants to get business started or to encourage others to come."

In the assisted areas, Blay's Guide lists a number of financial incentives available. These include:

● Regional development grants: depending on the status of the area (such as a special development area), grants for new

assets and production premises are available.

● Selective financial assistance: this is designed to bring forward worthwhile projects which would not otherwise go ahead and which provide more productive and secure jobs.

● Government factories: rent free periods on certain Government-owned factories.

● Product and process development scheme: this assists companies with development costs to bring new products and processes to the point of commercial production.

● Microprocessor application project: this assists with the cost of industrial training courses designed to train engineers in the use of microelectronics.

On top of all these grants and incentives, the Government has also set up enterprise zones in the major cities. These are areas where local authority regulations are kept to a minimum, planning decisions are speeded up, and a number of financial incentives offered.

The inner cities have secured

a great deal of attention over the past year as a result of the street riots of last summer. Such attention is probably long overdue, since in the 1960s and 1970s, the trend was always towards giving aid to the regions rather than the decaying inner cities themselves.

Many of the recent government-inspired initiatives for the inner cities have sprung from the Financial Institutions Group (FIG). This group of 25 people, seconded for one year from the banks, City institutions and several private companies, was brought together by Mr Michael Heseltine, the Environment Secretary.

The major initiative to emerge from the FIG think tank has been a £70m grants scheme designed to attract private investment into the inner cities. Based on a U.S. housing and urban development project, the initiative is intended to link public and private sector funds on specific projects. Under the scheme, local authorities in 48 of the most deprived areas in England and Wales will be

asked to plan investment projects in co-operation with the private sector.

The main area of the Government's direct involvement in inner city regeneration is funding through the Urban Programme in which funds are allocated towards inner city areas, with particular emphasis on regeneration of local economies.

This year the Urban Programme is to be increased from £215m to £270m with special emphasis on voluntary sector capital projects rather than revenue provisions.

Another plank of aid for the inner cities comes from the Dockland development schemes for London and Liverpool. Two development corporations for London and Merseyside were set up in 1980 although they are only now getting into their stride. The London Dockland Development Corporation, in particular, is advertising heavily on television and in the Press about the fact that such a body exists and is very much in business.

Even the prime areas feel the pinch

THERE IS nothing like a bad patch in the property business to press home all the old truisms about the benefits of quality and location.

When the going gets tough the lettings, investment and development markets inevitably gravitate towards prime and it is therefore hardly surprising that the City of London has tended to hold its own rather better than many other commercial property centres.

But the City cannot claim to have escaped the full repercussions of a recession which has driven deep into most sectors of the property market and affected all regions. Though the most recent indications suggest that the decline in City tenant demand is over and that the search for floorspace is again picking up, there has been an undeniable decline in the volume of space take-up.

The central core of the City has remained largely immune to the market conditions around it, with tenant demand remaining reasonably firm and available space remaining traditionally limited.

Last year take-up dropped by almost 20 per cent to a little over 3m sq ft against the 1977-1978 peak of 3.7m sq ft. Any significant improvement this year looks unlikely, despite earlier suggestions that the figure could rise during 1982 to over 3m sq ft.

Demand is, of course, only one side of the equation and the predominant feature of the City market in recent months has been the rising volume of new space coming on to the letting market. The new supply of office space, comprising new developments as well as exist-

ing floorspace, appearing on the market is likely to reach around 3m sq ft this year, against 3.3m sq ft in 1981 and 3.7m sq ft in the previous 12 months. A return to a balance between supply and demand might still be some way off.

Richard Ellis recently reported that in the three

CITY OF LONDON

MICHAEL CASSELL

months until the end of March a total of 1.5m sq ft of office space became available in the City for letting, twice the amount of the preceding three months. The supply of space was at a high level for most types of office accommodation but particularly so in the case of new developments.

Total availability of office space has been running at over 3m sq ft, although around one-third has not been immediately available for occupation. There are substantial numbers of new schemes yet to reach the market and as a result the overall supply and surplus positions are expected to remain fairly constant in the medium term.

The impact on rental levels has been predictable. Rental growth last year within the City ranged from between 7 per cent and 10 per cent with the best located prime buildings managing to register growth of anything up to 15 per cent. The market will consider itself

fortunate if a similar pattern is repeated this year.

Most rental increases being recorded relate to modern air-conditioned buildings—or those refurbished to a high standard—whereas many offices are not managing to show any evidence of rental growth.

As for asking rentals, top rents in the main financial area are now being quoted by the agents at anything up to £28 a sq ft, a figure which in isolation compares favourably with office centres like New York and Hong Kong but which, with the addition of rates, represents what is arguably the most expensive office accommodation in the world.

Rates in the City of London can now mount up to a figure equal to more than half the rental per sq ft, while local taxes in locations like Hong Kong and New York are only likely to represent an additional 10 per cent loading.

For many tenants, however, the need for a City location continues to override the cost factors involved, although it is likely that the trend towards decentralising these parts of any financial operation which are location-sensitive will continue.

As for the so-called "City fringes" there are two clear views about their current state of health. The conventional wisdom is that, given the market's present weaknesses, the fringe office locations—currently the scene of a substantial development programme—will find it hard to attract tenants and even harder to attract firm rents. The alternative view, not

merely expressed by those with a direct interest in the fringes, is that the attraction of considerably lower rentals (though not necessarily lower rates) on the City's doorstep is actually improving letting prospects. Agents handling some of the new schemes awaiting tenants might beg to differ.

So what impact is the present state of affairs having on the investment market for City property? The answer appears to be none whatsoever. For it is in terms of investment that the City market looks its least vulnerable.

Whatever the short-term problems of the local market, there remains an underlying confidence in the continuing ability of City office property to provide good capital and rental growth.

There is little doubt either that the weaknesses now evident in the office market can

and will be quickly overcome once the economy shows signs of any significant upturn. Confidence is the key word and in the City market could, as in the past, experience a rapid increase in demand once the economic environment changes.

Some agents are already reporting a marked upturn in interest and actual lettings. Just as significantly, the time taken by companies to decide on taking space now appears to be shortening again, a hopeful indication that activity is set to pick up. Levels of take-up in the early months of this year were reported by some agents to have risen to their highest level since early in 1981.

There remains a large overall space surplus, however, and the market is unlikely to return to the type of rental performance recorded before the latest downturn until the backlog is removed.

Inflow remains high

CONTINUED FROM PREVIOUS PAGE

Quintin, where Stephen Sykes moved over from Richard Ellis last August to set up "Compas"—short for computerised property appraisal system.

At the outset, St Quintin moved to nullify the instinctive objections of old hands in the property market. "In recent years," he said, "emphasis has been placed upon measuring only the short term performance of properties." Like the old hands, they felt that property performance over a short time scale can be potentially misleading not only because of extreme variations in lease structure

between one property and another but also the inherent degree of "estimation" involved in the assessment of open-market values.

So Compas is a long and short-term system. It has cost a lot of money, and St Quintin felt it had to spend it—not only to attract new clients but also to retain those it already has on its books.

One inescapable fact about the rise of research and analysis in a particular investment sector—witness the UK equity share market as stockbrokers developed their research depart-

ments in the late 1960s and early 1970s—is that the tail can begin to wag the dog.

As research became increasingly sophisticated, analysts felt the need not only to make "sell" recommendations based on the intrinsic value of the stocks they were looking at but to show as well their courage and publicise them.

We are a long way from that stage in the UK property market. But if it does happen, even in some degree, it can only be for the long-term health of the industry.

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UK PROPERTY V

Institutions keen to invest despite today's weak rents

THE UK retail property scene is a mass of apparent contradictions at the moment. Recession has flattened, and in some cases reversed, the trend of leap-frogging shop rents seen in the late 1970s, yet institutional investment demand seems insatiable.

"There is a decided decline in demand for space," says Mike Biddle, a partner in agents Goddard and Smith. "Fluctuations in retailers' turnover have made them very wary, unsure about whether or where to expand." But retail development carries on apace.

Hillier Parker's 1981 supplement on British shopping developments, containing details of shopping schemes of over 50,000 sq ft gross opened during the year, noted that 33 new shopping schemes opened in 1981, with a total floorspace of 44m sq ft gross. This was the highest annual total since 1978 and represented a "considerable" recovery over the 2.9m sq ft opened in 1980.

Putting these apparently conflicting trends into perspective is helped by fitting them into

centre, and close by the ring road and the M1 so that bringing customers in by car is simple."

Chris Phillips of Healey & Baker takes a more sanguine line. He feels that the decline in Oxford Street rents, more severe between Oxford Circus and Tottenham Court Road to the east than in the western half of the street, has stabilised during the past six months.

He agrees that reverse premiums—meaning that existing tenants pay their successors to take on a lease—have been paid there but he does not think that rents are likely to show a further decline.

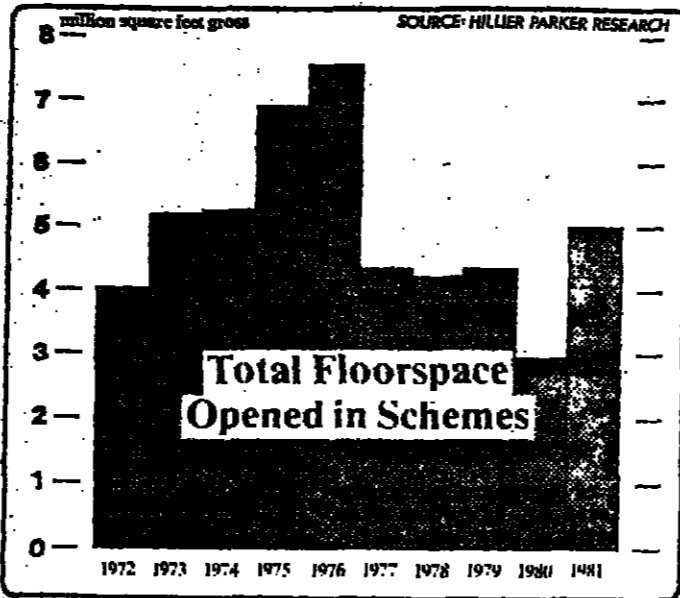
"Demand for shops in Oxford Street is extremely healthy," he says. "We are seeing a lot of interest from multiples, and good attractive smaller companies other than the small fashion and jeans retailers which were so prevalent in the late 1970s and in 1980." He is convinced that conventional High Street retailers want to come in—at the right rent.

It is now, generally speaking, that the lettings market is flat. The impact of recession on consumer spending and of cost inflation including higher rates on profit margins have meant that many retailers have found themselves with property worth more than their trading operations.

Department stores groups, particularly, have seen the effects of change: ever increasing overheads; rapidly escalating and often discriminatory rates; inability to get anywhere near the same throughput as the newer self-service specialist stores; inability to reduce staffing levels. All these factors have brought about an exodus of famous names like Swan and Edgar in Piccadilly, Whiteleys in London's Queensway, Lewis's in Birmingham and R and W Forsyth in Edinburgh.

The massive retrenchment at Woolworth's, whose latest tranche of store sales is expected to rise over £50m, is another cautionary tale for potential tenants. There are those who say that Woolworth should not be written off; it still has massive turnover, a lot of traffic, the fitting out and general appearance of some of its shops is now excellent, its product range is good and its counter staff a lot better than it used to be. If that is so, newcomers might be thinking that it would be better to wait until the recession has fully run its course.

So when Healey and Baker talk about the "seemingly insatiable" demand for high quality retailing investments in introducing their latest prime commercial property yield graph—which, incidentally, sees



top shops maintaining their pole position on a yield of 3 1/2 per cent. It has to be remembered that the institutions' definition of "prime" is very tight indeed.

"In shopping," say Healey and Baker, "yield rates are justified at their present low levels where the property can be expected to show real rental growth. Real growth can only flow from increased spending power attracted to that shopping position, be it from an increased shopping population or improved town centre management."

They add: "What is sure, however, is that if real growth is not predictable then the shopping centre should not as a whole be valued at the prime yield rate."

Just as the definition of prime seems to be changing, so is the content of shopping centre development. As far as sheer size is concerned, most of the plums would seem to have been picked. Hillier Parker's 1981 analysis illustrates the decline in the average size of new schemes over the past five years—from 232,000 sq ft in 1977 to 137,000 sq ft in 1981.

It also notes geographical change. The 1971 Census of Distribution showed 180 centres with sales of over £10m. Only one-third of 1981's openings were in these top centres, the remainder being in suburbs and new towns. In the period 1969-1978 the proportion of new schemes in top centres was 43.5 per cent.

after which the emphasis switched to out-of-town or edge-of-town development. Now, he says, the accent is not on regional centres but convenience (in other words, everyday) shopping, with foodshops, chemists, post offices and stationers in the van.

This and other evidence would seem to suggest that future town centre retail development will be relatively small and designed for specialist trading.

There will always be the odd exception, however, and Richard Ellis is waiting for one in the form of detailed planning permission for its new centre combining shopping, commercial and leisure uses in a £40m redevelopment programme for the St. Enoch area of Glasgow.

Co-ordinated by the Scottish Development Agency (SDA) this scheme involves 260,000 sq ft of retailing space, up 55,000 sq ft from the area for which the SDA has already received planning consent; 750 car parking spaces on that part of the development; an ice rink, restaurants, exhibition and other entertainment facilities.

Roger Lucas, the retail development partner of Richard Ellis, who has just been made a trustee of the International Council of Shopping Centres, views the St Enoch centre as a shot in the arm for Glasgow in terms of inner city regeneration.

This is not just self-justification, even if there is local argument about the merits of the scheme. Capital and Counties' Eldon Square development in Newcastle is said to have done a lot for the city; and, as Mike Biddle puts it: "one amazing thing about retail development is that it can work in places where nothing else does."

SHOP PREMISES

WILLIAM COCHRANE

the proper time frame, especially where returns and lettings are concerned; by accepting that institutional investment goes for high quality and long-term prospects; and by seeing development in the context of a dynamic and restless industry which, however it has revolutionised distribution over the past two decades, still clearly feels that there are areas where its evolution can continue.

The vulnerability of rents to recessionary and other influences was demonstrated sharply, and rather sadly, by Hillier Parker's latest rent index in May, which said that rents in London's Oxford Street were then standing at only 58 per cent of their May 1980 levels.

Oxford Street is still regarded as the premier shopping thoroughfare in Western Europe, if not in the Western world. Its rents peaked in 1979; but, since then, London's tourist trade has been hit by the fluctuating pound. There has been concern too that Londoners, who once gave the street a stable base trade, have been drawn away to new suburban shopping centres.

"Oxford Street is difficult to get to," says Mike Biddle. "If you live in North London you are likely to go to Brent Cross, which is a covered shopping

Long wait likely before market confidence is restored

NEARLY everybody has a favourite — or perhaps most chilling — instance of Britain's industrial degeneration.

One case concerns a modern steel finishing plant on the northern outskirts of Sheffield which is up for sale because of the transfer of the finishing operation to a site in Manchester. It would have seemed incredible even three years ago that the 300,000 sq ft Sheffield plant could be converted into a ten-pin bowling alley.

These proposals are tentative and may well come to nothing. In any case it is quite possible to over-stretch the argument which says that great tracts of the national industrial base are to be turned mostly over to leisure use or abandoned completely.

And yet, best estimates show there is a major overflow of surplus industrial and warehousing properties on the market.

King and Company, one of the agents which prepares regular calculations of available industrial floorspace, estimated last month that naturally no less than 159m sq ft of space was unoccupied.

This shows that the unoccupied rate is now treble its level in the early months of 1979, the point at which the recession may be said to have started in earnest.

The problem for potential occupants' agents and investors is to decide how much of the available space would be considered obsolescent anyway, how much space will be required

when industrial production is shown to be on a firm recovery path, and how much space is now on the market after manufacturers have shed the surplus fat carried from the boom years. Put crudely, the property market has to decide the extent of permanent industrial retrenchment or what is the long term effect of becoming leaner and fitter.

King's analysis was worrying not least because it suggested that the tentative signs of recovery noticed earlier this

INDUSTRIAL

RAY MAUGHAM

year seem to have disappeared. Industrialists, like Sir Arnold Hall of Hawker Siddeley, believe demand for manufactured products is actually picking up progressively, but the upturn is slow. And the lead times inherent in what the investment purists would describe as an imperfect market strongly suppose that a pick-up demand for all types of property will not become apparent until quite late in the cycle.

Landlords and owners-occupiers will have to wait a long time before the industrial property market regains its confidence. The best that can be said is that the gloom is not completely pervasive, but the brighter pockets may be rather isolated.

The outlook is still dull for multi-tier purpose-built industrial space in the old textile, shipbuilding and steel towns in the North East and North West. Recession may have done no more than accelerate their demolition. But the comparatively new industries in plastics, light engineering and the rest have also suffered badly and freeholders in areas of traditionally high employment and income per capita are making some painful adjustments.

Their response has been necessarily aggressive. Big plants are being split to attract groups of small individual tenants. Rent free holidays are on offer in several previously bustling locations. Agents are on fat incentives to dispose of unwanted space—handsome new cars are an example. Above all, the companies are forming new property operations to market premises. Courtaulds and Guest, Keen and Nettletons are just two of the large quoted groups which have adopted this approach.

Various locations are losing their desirability to investors and the braking firm of Hoare, Govett defines a geographical line which "is progressively being dragged southwards."

The firm says this line might "extend roughly between the Wash and the Severn. This suggests that capital values are at least being maintained in the South East and along the West of London Corridor as it fans out towards Bristol.

Others are not sure. Another broking firm, Simon & Coates, says it has been told by "several leading agents that there is now a major question mark over prime industrial yields even in prime locations in the South East."

That question mark extends to rental growth projections. This has probably been compounding at about 11 per cent annually over the past five years in the prime sector which has failed to match the rate of building cost inflation over the same period.

Rental growth certainly seems to have been falling off, Richard

Ellis, in its 1982 survey of the UK property market, found that rents in the most sought-after areas of the South East—namely North West and West London, and further westwards along the M4—rose by some 25p to between £3.75 and £4.00 per sq ft. But in the previous 12-month accommodation of this type achieved a 75p sq ft appreciation.

For investors industrial yields are still about 6 1/2 per cent for prime rack rented properties—a tolerable situation so far.

On this basis, yields should have increased 9.75 per cent annually to match alternative long-term investment such as a suitable government stock. Rack rented prime rental growth, as Simon and Coates illustrated recently, has been 10 1/2 per cent over the past five years. So far so good.

Secondary properties, showing an equivalent yield of 8 1/2 per cent according to the Jones Lang Wootton Index, need to show 7 1/2 per cent annual growth to cover the opportunity cost of money, and have actually turned up 12 per cent annual growth over the past five years.

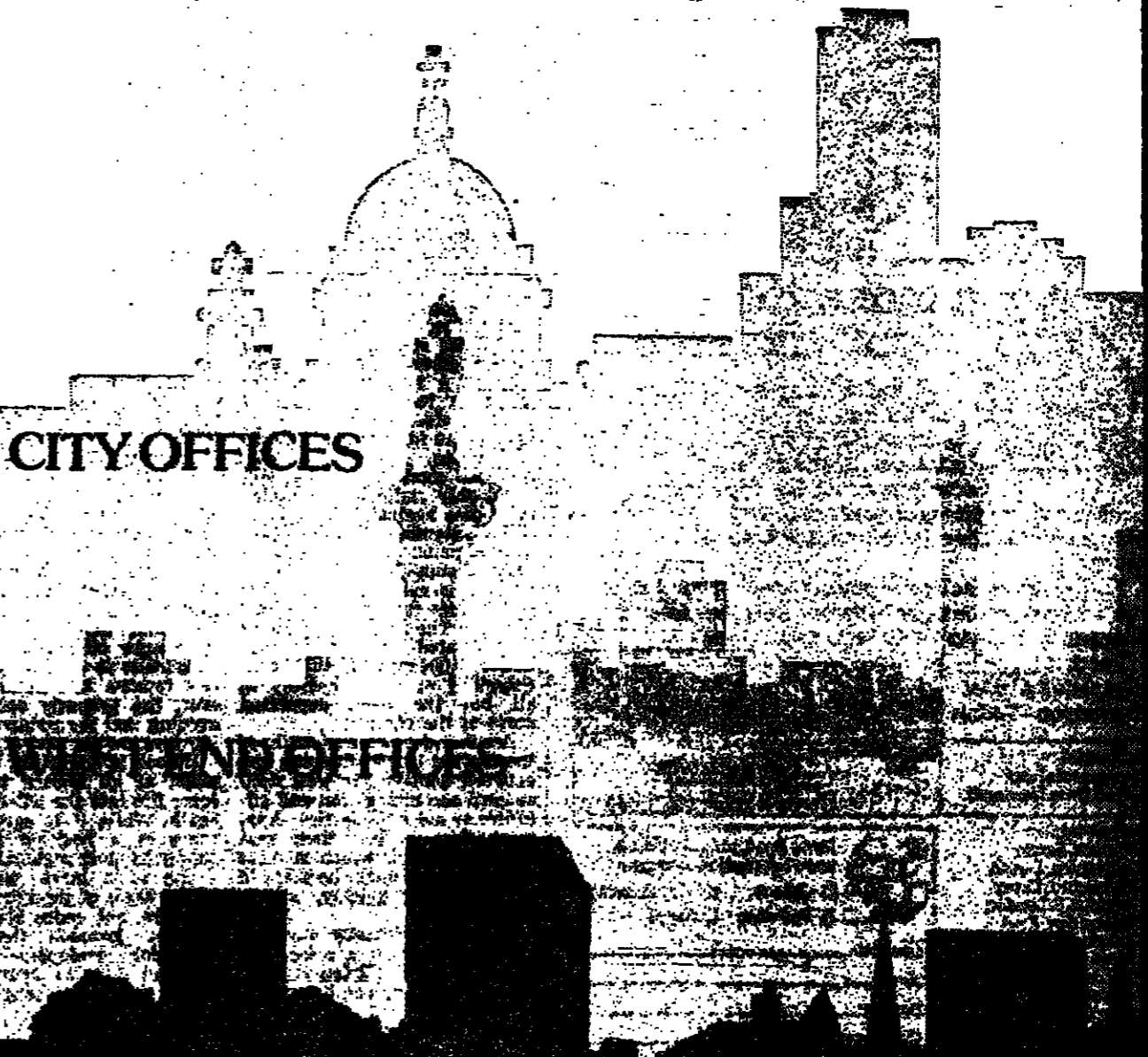
The relationship between current capital values and rental projections looks increasingly finely balanced although there are pockets of interest such as the high-tech parks around London's northern and western perimeters.

At the disadvantaged end of the scale, the Government's Enterprise Zones are in place and appear to have been well received by both local councils and tenants. At least one of the main objections has been withdrawn now the zones are clearly sited and potential occupiers are no longer confused as to which inner-city areas enjoy the rates and administrative incentives.

Meanwhile, Industrial Britain is still on the ropes. There is a big, disused site in Llanelli used until recently to house two modern electric arc furnaces and melting equipment. The owners say it is close to the coast and would make a pleasant holiday camp or village. Any offers?

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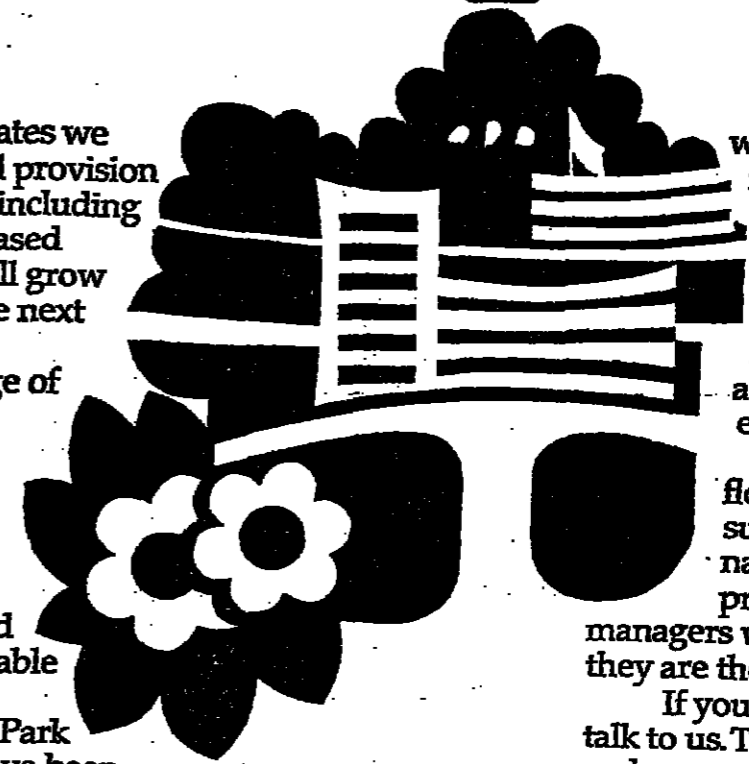
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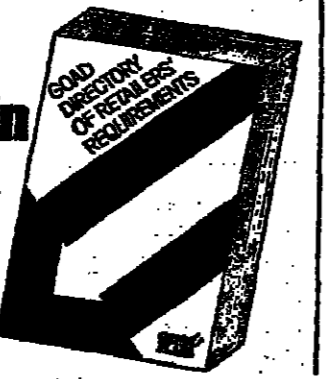
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UK PROPERTY VI

There are wide regional differences in the demand-supply equation for commercial and industrial property. The remaining articles in this survey examine local trends and, in particular, the impact of the recession on rental levels.

Market escapes worst ravages of recession

THE UK office market may have escaped the worst ravages of the recession which has so badly mauled other sectors of the commercial property world but it cannot claim to be coming through totally unscathed.

Without doubt the office market has run up against a falling level of demand in all but a few highly prized locations. Rental growth as a whole has been either non-existent or rising at a pace well below the level of inflation.

The recent Hillier Parker rent index showed that in May several office-rents were running at a level 8.2 per cent lower in real terms than 12 months before and rising at the lowest rate for five years. Rents in London, one of the most resilient markets in the UK, could only claim to be holding their own against inflation.

Understandably, there are wide regional differences in the demand supply equation but in general terms it is the larger office units that have been hit hardest. The letting market for well located small units, say under 10,000 sq ft, is still being described as fairly healthy in all but the most depressed areas of the country.

Another developing feature of the market is the widening gap between demand for well sited modern accommodation and office centre or older properties. Anything that is less than real prime floorspace which in more buoyant times might be snapped up reasonably quickly, is difficult to move.

Of course, virtually anything can be moved at a price. But so far, in all but a few isolated cases, rents are not being cut.

Yet holding asking rents disguised what is happening behind the scenes. Developers are marketing their schemes well ahead of completion dates which is a clear signal that the market is quieter and the competition between developers hotting up.

They are also offering more financial inducements such as rent-free holidays and financial assistance towards the tenant's fitting-out costs. It may not be cutting rents but it is the next best thing.

Developers' reluctance to indulge in rent-cutting at this stage in the cycle is understandable. They are hoping for an upturn in the economy towards the end of this year and into 1983, so it might be ill-timed to start giving ground now having got through the worst part of the recession.

Moreover, the knock-on effect of rent cuts and the severe damage that can be caused to capital values—as was so dramatically demonstrated by the mid-1970s collapse—is well appreciated. So they will grit their teeth and continue to dangle other financial inducements to try and win what few tenants are around. As ever, the property agents are arguing that the upturn is waiting just around the corner.

Indeed it might not take too much of an upturn to inject some life into the office market again. While it is agreed that there is a position of over-supply in most regional centres—and to a large extent the fringe areas of the City of London are not quite the happy hunting grounds they once were for developers—there is not the massive overhang of unlet floorspace that charac-

terised the last recession. Once activity revives unlet space could be soaked up relatively quickly, allowing rents to climb again. At least that is what the developers are hoping.

Demand is clearly set by the state of health of local industry and commerce. The Government's unemployment figures tell the tale of where the country is being hardest hit by the recession. Liverpool, for

example, is a very depressed market, while on the other side of the country the North-East is dull.

One of the few areas to see a definite slip in prime office rent levels is Newcastle. Lettings have become very sluggish and there is plenty of floorspace on the market, with prime rent in the £4.00 to £4.25 area and secondary property on offer for as low as £2.00 a sq ft.

The South East is, as always the strongest region but it too has felt the cold winds of the recession and there are few areas where there is not a modest over-supply of accommodation.

The City of London office market is in relatively good health. While it has seen better times, compared to the rest of the country its problems are slight. During 1981 rent levels rose by around 7 per cent to 10 per cent, taking top rate prime property in the centre up to

around £27 a sq ft. This year a similar rate of increase is anticipated and by Christmas the market could be thinking in terms of £30 a sq ft as the norm.

In the City rents have been underpinned by the seemingly insatiable appetite of the financial sector for floorspace, in particular the banks where domestic houses are expanding their international departments and overseas banks continue to enter London.

Yet while the financial sector continues to supply a steady source of demand there is growing evidence that other sectors of commerce are reviewing their needs for expensive central accommodation. There seems to be an increasing flow of companies decentralising their head offices.

Rising office costs have forced many occupiers out. The issue has come to the forefront on the back of hefty increases in rates, once only a minor consideration in terms of overheads. Figures compiled by the Chartered Institute of Public Finance and Accountancy show that rates throughout the country rose by 17 per cent last year and in inner London they climbed a staggering 83 per cent. In combined rent, rates and service costs prime City accommodation is now working out at some £45 a sq ft.

Faced with those sort of figures even members of the financial community seem to be looking at whether they need to keep all their members in the centre. Many are pushing out into the fringe areas of London and in some cases much further.

the Thames Valley. Companies have decentralised out of London and international organisations have been pulled into the area because of the good communication links provided by the motorway network and of course Heathrow. Various nicknames—the "Golden Triangle" or "Silicon Valley"—its expansion has been rapid.

Even there, however, the atmosphere has changed over the past six months or so. Towns which have developed a long-standing reputation for being short of prime office accommodation are now facing an oversupply. Asking rents of £14.50 a sq ft have been reached in centres like Reading but with demand easing off and a considerable amount of development still to come on to the scene the short-term outlook for rental growth looks unexciting.

OFFICES

TERRY GARRETT

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Row. This £7.5m investment by Norwich Union takes its property portfolio in Birmingham to more than £60m.

The first of the two new projects started this year was by Tarmac, which aims to complete a 120,000 sq ft building by autumn 1984. The development, on the site of the former Post Office sorting depot, will be an important feature of Victoria Square, a noted city landmark. By the time the scheme is finished in more than two years rents are likely to be approaching £8 a sq ft.

Tarmac took the plunge to be first among a series of possible projects because of confidence in the quality of position. Equally intriguing is the move by Embassy Developments, a privately owned Birmingham-based company, which this month has quietly started work on a site at the junction of Church and Cornwall Streets. Mr Roger Holbeche, managing director, has deliberately opted for a quick-build steel-framed building with the object of having the 60,000 sq ft office block ready for occupation by August next year. He hopes that Civic House and Berwick House will by that time have been let, leaving Embassy with a clear run until the Tarmac project is completed up to 12 months later.

The other project most likely to be coming out of the ground by the end of this year has been put out to tender by Birmingham City Council on a prime site near to the Bank of Eng-

land. The scheme has tended to attract companies starting in business for the first time. A similar demand is reported in Nottingham from managers who have taken redundancy money to set up on their own. Nottingham, as the regional capital, enjoys more respectable rents of around £4 a square foot. That, nevertheless, is not sufficient to justify significant new development. Property currently on the market tends to be in smaller blocks.

As a designated new town Northampton has enjoyed a growth in rents. Levels of around £5.50 are projected on a handful of small developments currently under way. Similarly, on the industrial side, Northampton, with the backing of a development corporation, has pressed ahead with new building.

Elsewhere in the region there is caution as the amount of vacant industrial and warehouse space climbs. The regional council of the Confederation of British Industry reports no sign of an improvement in home or overseas orders, a low rate investment and little optimism about growth prospects.

Throughout the region local authorities have been active in helping developers to assemble and service sites and many are available, often with good motorway connections.

Most building activity has tended to be in nursery units where there has been some improvement in rents. In general, however, against a gloomy industrial background, rents have tended to weaken over the past 12 months. Agents have increasingly been forced to offer special deals to keep the market moving.

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A flurry of activity on prime sites in the West Midlands Developers take long-term view

INDUSTRIALISTS in the West Midlands, the region hardest hit by recession, have consistently taken a more pessimistic view of economic prospects than that suggested by national forecasts.

The latest survey by the regional office of the Confederation of British Industry contains yet another warning that there is no sign of an upturn. "We are still bouncing along the bottom and I expect it to be flat for some months to come," says Mr Chris Walliker, the regional chairman.

Orders remain low, cash flow is deteriorating and redundancies will continue. Nor is there any evidence of the stock building that would be necessary to back up recent optimistic national forecasts, says Mr Walliker.

The "realism" shown by business leaders in acknowledging that the West Midlands has suffered a heavy loss of manufacturing capacity—much of which will never return—is reflected in the present caution of the property market. But given the traumas through which many Midlands businesses have passed over the past two years, the property sector has remained remarkably resilient.

Development is predictably restricted to prime sites but there is plenty of activity as developers look to the longer term and seek to acquire land and obtain planning consents.

Office rents in general throughout the region are not sufficient to justify new building. Birmingham city centre proves the exception. There has

been a recent flurry of activity with two developers moving on site with large schemes and speculation about the start of a handful of other projects.

Agents Edwards Bigwood and Bewlay in their latest office survey say the massive overhang of new and modern space evident in the 1970s has dwindled to only 126,758 sq ft. Mr Roger Ford, a partner in Edwards, maintains that one

sizeable letting could cause a space shortage. "Rents in Birmingham seem set to rise substantially if lettings are achieved."

The £7 a sq ft rent level has already been breached in the prime area bounded roughly by Waterloo Street and Colmore Row. A new record is being sought by agents Shipway Doble with St. Philips House, a 24,000 sq ft office development which includes a 3,000 sq ft banking hall. The agents are thought to be looking for more than £8 a sq ft for the property.

Just off the prime financial centre is Berwick House, a 59,000 sq ft project nearing completion at the corner of Great Charles Street and Livery Street. This development by Ulster Properties is expected to achieve a rent of up to £6.50 a sq ft.

A figure of around £7 a sq ft is likely to be sought for Civic House, an 80,000 sq ft development due for completion next spring at the corner of Great Charles Street and Summer

services. An inclusive weekly rent covering rates and service charges means that the only additional cost for tenants is outgoing telephone calls.

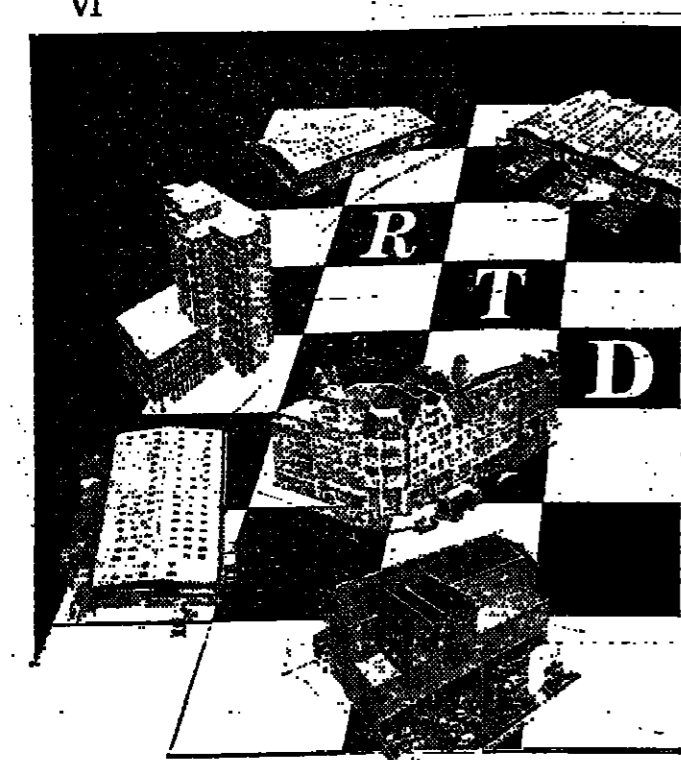
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UK PROPERTY VII

Resilience put to the test

IT IS a sign of the times that even in the South East the commercial property market is suffering from a dose of over-supply in all but a few isolated locations. Demand for accommodation has weakened considerably over the last year, while rent levels are hardly moving and certainly not keeping abreast of inflation. Agents are working overtime to secure deals and the old tried and trusted financial incentives of rent-free holidays, etc., are being trotted out again.

Even so the South East is one of the most resilient regions in the country and one where institutional investors are still

also an area without vast tracts of older and declining industry. Demand has been kept alive by both relocation by companies from the centre of London and a steady influx of overseas corporations. Success has proved self-feeding over the last few years and high technology industries have sprung up along the corridor. There are further more encouraging shifts of emphasis in demand by tenants. Whereas much of the earlier demand from overseas operators was for warehouse space plus some office accommodation—reflecting the region's obvious attractions as a distribution centre—there has been a growing demand for manufacturing facilities.

Yet headlong expansion cannot be expected to be sustained in a recession. The slackening of the pace has inevitably left the "Golden Triangle" glittering a little less brightly and some agents are talking of the region in terms of a myth rather than a reality. That seems a harsh verdict. The longer term future of the Thames Valley does not seem in doubt even if there is currently a phase of oversupply and sluggish rent levels.

As the spotlight fades on the west, at least for a while, the area to the south of London around Gatwick is attracting more attention. Office rents in towns like Crawley, Reigate and Horley are now in the region of £7.50 to £8.00 a sq ft against £6.50 a year ago—a significant advance but still a lot cheaper than the £12.00 to £14.00 a sq ft tenants are expected to pay for floorspace in Reading to the west.

Moreover, there is a definite shortage of good accommodation, though a couple of developments—a large one in Horley for example—should ease the congestion. British Caledonian has recently expanded in Crawley and agents Healey and Baker are currently on the lookout for 20,000 sq ft of new office

space for another airline—from Europe.

The fast developing "fire" to the south is much the same as that which sparked such a successful run in the west—communications. How London's requirements for improved air links are finally resolved is still a matter for conjecture. But putting that aside road links are the key to the growing confidence in the south by both tenants and investing institutions. When the M25 is completed in a few years time London will be completely orbited by a motorway dramatically cutting travelling times northwards from the south and east.

The influence of the M25 on commercial property development in the region should not be underestimated. In a review of the motorway's impact by Nathaniel Lichfield and Partners and Goldstein Leigh Associates last year the M25 was described as "the most important development to affect London and the South East Circular. When the M25 is operative that travelling time could be cut to under one and a half hours."

So industry and offices will have a wide choice of "where to expand in a few years' time. But one of the main impacts

could be on the distribution sector. Depending on the type of goods being handled and ultimate markets being served the distributor in the South East is likely to be faced with divergent demands. His markets may mean that he needs to be within easy reach of the GLC area, the airports, the major motorways going north and west, the Port of London (Tilbury), the Channel Ports and possibly the Freightliner terminals.

Those different requirements were irreconcilable. But when the M25 is completed a distributor can locate almost anywhere along its route or at nearby feeder roads and have good access to all those areas mentioned above. The eventual impact on demand and rent levels for warehousing space in hitherto slack areas is obvious. Equally, regions now commanding premium rents, because of their location, such as warehouses around Heathrow, may find the going a little tougher towards the end of the eighties.

New commercial development is likely to be centred on three types of location: around junctions, where the M25 will intersect with existing main routes; at fragmented sites caused by the construction of the motorway and realignment of existing roads which will make areas of land unsuitable for anything else but redevelopment; and finally in and around urban towns fairly close to the new road where unused and vacant sites could take on a whole new value.

But for the present the recession is the overriding factor. There is still a considerable over-supply of industrial property, especially of the 5,000 sq ft to 10,000 sq ft type. Agents in those areas are not expecting any real growth in 1982 and some older second-hand property may well be unlettable. In such cases capital values are back to "site value" for a redevelopment consideration.

THE SOUTH EAST

TERRY GARRETT

willing to back good developments even though they are getting a little more critical and analytical in deciding what they are prepared to fund.

Outside of the City of London the area that has attracted most interest in recent years is the Thames Valley stretching back along the M4 motorway right to Bristol. Phrases like "Silicon Valley" and the "Golden Triangle" have been coined to describe the region where, until recently, the main problem was in finding the right property rather than finding the tenant.

The market has understandably cooled both because of the recession and the build-up of development in certain centres. Nevertheless the region still has a lot going for it. There is no need to go over the main arguments in favour of the area again but briefly, the combination of Heathrow, the motorway network and the railway links have put it in the forefront for ease of communication. It is

Smaller premises faring the best

THE PAST year has seen increasing amounts of vacant industrial and office space in most cities and large towns in the South West, with rents remaining stable or falling in some cases, but there is continuing demand for small modern factory units in most areas.

In Bristol, where the recession has only recently had significant impact, agents Hartnell Taylor-Cook report that industrial inquiries have fallen off recently, particularly for larger premises, but a significant number of local concerns have moved into smaller, more suitable spaces.

Units of around 5,000 sq ft in the area are now letting at around £2.25 a sq ft, while those of 3,000 sq ft or less, of good quality are available at around £3.25. "People seem happy to pay more for smaller premises if they can save something by moving out of a factory which is too large for them," one agent said.

However, there is still a considerable amount of larger, outdated factory space around Bristol, and with major new developments such as the Aztec West site becoming available, the over-supply could last for some time.

It is estimated by Hartnell Taylor-Cook that there is now around 600,000 sq ft of vacant office space in the Bristol area, though much of it is not prime property. A further 600,000 sq ft of space is now under construction, reflecting the rise in rents about a year ago to around £8 a sq ft, a figure which remains the average rate at present.

Inquiries for top quality space in Bristol appear to be picking up slightly, with a fair amount of interest from companies outside the city, but it is felt that rent levels will remain stable for some time to come, despite some lettings at £8.50 a sq ft and a few asking prices of £7.

In Swindon, one of the most active centres in the South West, there is around 1m sq ft of industrial space available, the highest for some time, although much of this is in large units or older premises, according to agents Farrant and Wightman.

The largest of the units available is the 160,000 sq ft Howard Tensens depot which was vacated recently, while the 106,000 sq ft former Triumph International factory is on the mar-

ket, and a 80,000 sq ft unit which Ralton Packaging was due to use is also available. Rents are around £2 a sq ft.

One of the largest developments in Swindon is now going ahead, the St Martin's Property project on 80 acres adjacent to the M4, which Hartnell Taylor-Cook is due to start marketing later this year.

This low-density landscaped site is aimed at attracting high technology companies, as are a number of council-owned developments such as the 28-acre Croft campus site, which has planning permission for 300,000 sq ft.

THE SOUTH WEST

LORNE BARLING

sq ft of space. This has recently been boosted by a go-ahead for an important link road, to be jointly funded by the town and county councils.

There is also a considerable amount of office development space available in central areas of Swindon, notably 200,000 sq ft on the North Star site, which was earmarked for Philips Business Systems, but is now available again.

Developers are also being invited to submit plans for the 180,000 sq ft site in Newcastle Street, the former Garrard factory location, where planning permission is expected to go through on appeal.

Overall, around 150,000 sq ft of modern office space is now available in Swindon, with around 80,000 sq ft in the pipeline. In the longer term the Fleet Street improvement scheme will provide an additional 150,000 sq ft, while the Fleming Way site, being developed by Taylor Woodrow and Hambro Life, will create an additional 280,000 sq ft.

Swindon is currently attempting to attract more company administrative departments from their London headquarters with the incentive that real rents in Swindon, including rates, amount to about £10 a sq ft, compared with around £30 a sq ft in the City.

In a number of areas of the South West, including Swindon, there is an increasing number of incentives for companies to move into industrial premises, notably phased rents which

start at a fairly low level and increase towards the end of the contractual period.

Other perks include a number of free services, such as the installation of heating and lighting, the carpeting of offices and other benefits which allow companies to move in with minimum additional costs.

In the Southampton area a number of new schemes are going ahead, notably the 146,000 sq ft City Industrial Park, a joint project between Heron and the Coal Industry National Trust, while Southampton Business Park, funded by Abbey Life, will provide nearly 160,000 sq ft.

The Port Authority is releasing 17 acres of land in the Eastern Docks area for development, while a further 30 acres in the Western Docks is under discussion.

King & Co are handling two developments in the area, the Nursing Estate (for Taylor Woodrow Industrial Estates) where 30,000 sq ft of space will be available by the end of the year, and the Waterloo Industrial Estate (Espley-Tyas) which offers 11,000 sq ft. Both of these have asking rentals of £2.75 a sq ft.

Overall demand in Southampton has fallen off considerably since the near-boom two to three years ago but there is still confidence in the medium-

West Midlands

CONTINUED FROM PREVIOUS PAGE

land buildings and bounded by Needless Alley, Cannon Passage and Cannon Street.

The planning brief is for around 60,000 sq ft of offices and some retail development. Agents believe the site will command a premium and that any developer will be anxious to press ahead with the project rather than incur the interest charges involved in any delay.

A clutch of other important office schemes are well advanced and could start within the next 12 months, although agents point out that the difficulty of finding projects could act as a retarding mechanism and prevent oversupply.

There have been protracted discussions over development of the old Snow Hill Station, a six and a quarter acre site with provision for around 340,000 sq ft of offices. A planned massive scheme is planned for Paradise Circus, where Heron Corporation won the Birmingham City Council tender for around 200,000 sq ft of offices in addition to 200-bedroom hotel, shops, leisure and conference facilities.

Rank City Wall has a scheme for a 120,000 sq ft development near to New Street Station, and Espley-Tyas has plans for around 86,000 sq ft of character offices in Newhall Street.

In Edgbaston, where there is 198,787 sq ft of new and modern space on the market according to the Edwards Bigwood survey, rents have held steady but do not justify major new building schemes. There are several projects of around 5,000 to 20,000 sq ft and the principal demand is for self-contained

term prospects, still partly fuelled by the offshore development prospects.

There is around 180,000 sq ft of available office space in Southampton town centre at rentals of around £5 a sq ft but planning consents on further development are being restricted for the time being. Allyn House, being handled by King & Co, is a 1960s office block which is being rebuilt to provide around 20,000 sq ft of space, while 140,000 sq ft at Nelson Gate is now being let.

In Exeter, industrial development is on two main estates, which have around 25 acres left, but a further 50 acres is likely to be available soon. Demand has been slow recently and 5,000 sq ft units are available at around £2 a sq ft, although there is not a great deal of vacant industrial space. Office rents in the area are generally below £4 a sq ft.

Plymouth has around 500,000 sq ft of industrial space available, although much of this is around 20 years old and asking prices are low—around £1.25 a sq ft. New premises are at around £1.80 while smaller units are fetching £2.

There is about 100,000 sq ft of office space available in the city at prices around £3.75 a sq ft, although as in the industrial market premium prices are being paid for small modern accommodation.

Units of up to 2,000 sq ft which are likely to command rents of £6 or more a square foot. Solihull and Sutton Coldfield are seen as the emerging suburban office areas but currently overhanging the market are large vacant office blocks. Broad Oaks House, Solihull, with 80,000 sq ft, and International House, Bickenhill, with 60,000 sq ft, are two modern office blocks with obvious attractions for companies considering a move to the West Midlands.

Industrial rents, despite the number of special incentives now on offer to attract tenants, have held up over the past 12 months. Predictably, new building has declined sharply. Such speculative developments as exist are very limited and confined to prime sites or small units.

Rents for new accommodation on prime sites will run between £2 to £2.35 a square foot, rising to £2.50 for nursery units. Secondary sites can be expected to achieve £1.60 or more a square foot.

The most significant trend over the past 12 months has been the number of industrial companies which, in the face of the decline in manufacturing, have decided to realise assets—not through straight sale but by moving into the development market.

IMI, the Birmingham-based metals and engineering company, is only the latest to announce plans to develop around half its present 220-acre site close to the Spaghetti Junction of the motorway network. Other well-known companies with similar plans are GKN, Birmid Qualcast, and Embery Owen.

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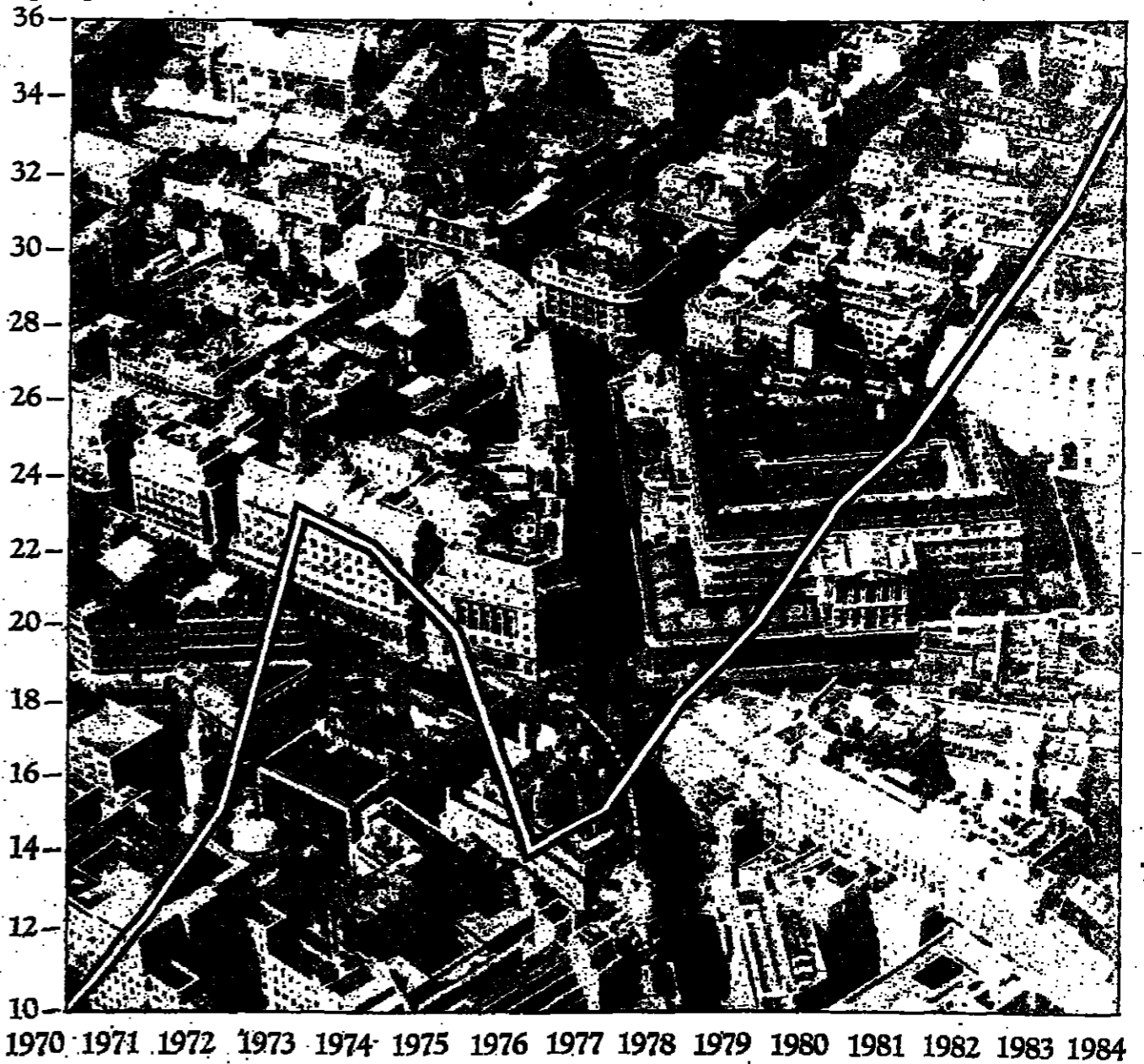
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Shopping developments to the fore

SCOTTISH property men are clearly tired of the word "recession." They acknowledge it. But they repudiate implications that the Scottish property scene is gloomy or that there is little optimism for the foreseeable future.

"Despite the recession our clients are still pumping a lot of cash into Scotland, even although it has suffered worse than some of the other areas," says Ted Webster of Richard Ellis in Glasgow. "Both as investors and developers," he adds, "pension funds are proving false the criticism that they are not prepared to be market leaders."

There is evidence that the investment is becoming a little more discriminating. A lot of

for a good standing investment are just about 5 per cent.

The warehouse market has flattened off in and around Aberdeen, he says, but new lettings are still taking place and Ellis are seeing some increases in rental values—£2.25 a square foot for straight warehousing or £4.50 for offices associated with these schemes seem to be the current benchmarks.

Glasgow prime offices are still under upward pressure at around £6.25 per square foot now, according to Ellis, with a rise to £6.50 likely by the end of this year. The warehousing market, they say, is still in a very difficult phase with rents steady at about £2.25 a square foot. Office yields are probably 5 per cent while warehouse yields have risen to between 7½ and 7¾ per cent.

The Ellis view of Edinburgh offices is still conditioned by Scottish devolution, which did not happen, and the oversupply of space which did. Rents, they say, are steady at about £5 per square foot in a period of slack demand and warehousing is very flat, with rents at about £2 a square foot or even lower.

Ted Webster concludes that the market for the investment buyer in Scotland is very good. "Recession has pushed some properties on to the market, through sale or leaseback for example," he says. "The position for a retaining investment buyer with a lot of money offers plenty of choice."

Elaborates

Meanwhile DCI's Mr. Fraser elaborates upon, and in one instance qualifies, his basic theme of pre-let development. The company, widely expected virtually to double its profits to between £900,000 and £1m before tax for the year ending last February, has diversified from an industrial property base since its formation in 1974 into retailing and office developments, and geographically from Glasgow to Aberdeen and elsewhere.

Current developments include 104,000 sq ft of office and retailing space in Argyle Street, Glasgow's prime shopping pitch. Here DCI has pre-let a banking hall to the Royal Bank of Scotland and has three tenants taking office space.

It will be two years, however, before the shops are built, says Mr. Fraser, and the company is not thinking of marketing them in the short term. In Argyle Street shop rents rose too far

two or three years ago: "Anyone coming in now," says Mr. Fraser, "could dictate his own terms."

More straightforwardly, DCI demonstrated its pre-letting policy at the end of May with news of the leasing of 61,000 sq ft of its 90,000 sq ft new industrial/warehouse estate at Monklands, seven miles outside Glasgow at Coatbridge, to the Glasgow-based distributor A. Goldberg.

Only 18,000 sq ft of the site remained unlet after that, with two further units already under offer. "Coatbridge will be totally let before the builders are off the site," says Mr. Fraser. "We have never yet left a site with a square foot of empty space," he adds. "We don't have any soft money, so we have to reflect tenants' wishes, possibly two or three years ahead."

As an observer, Mr. Fraser notes a lot of institutional interest in retail investments

in provincial Scottish towns like Dumfries, Elgin and Perth. Unlike Ellis (which is deeply involved) he is not happy about the Scottish Development Agency's scheme for the St Enoch area of Glasgow.

Deserts

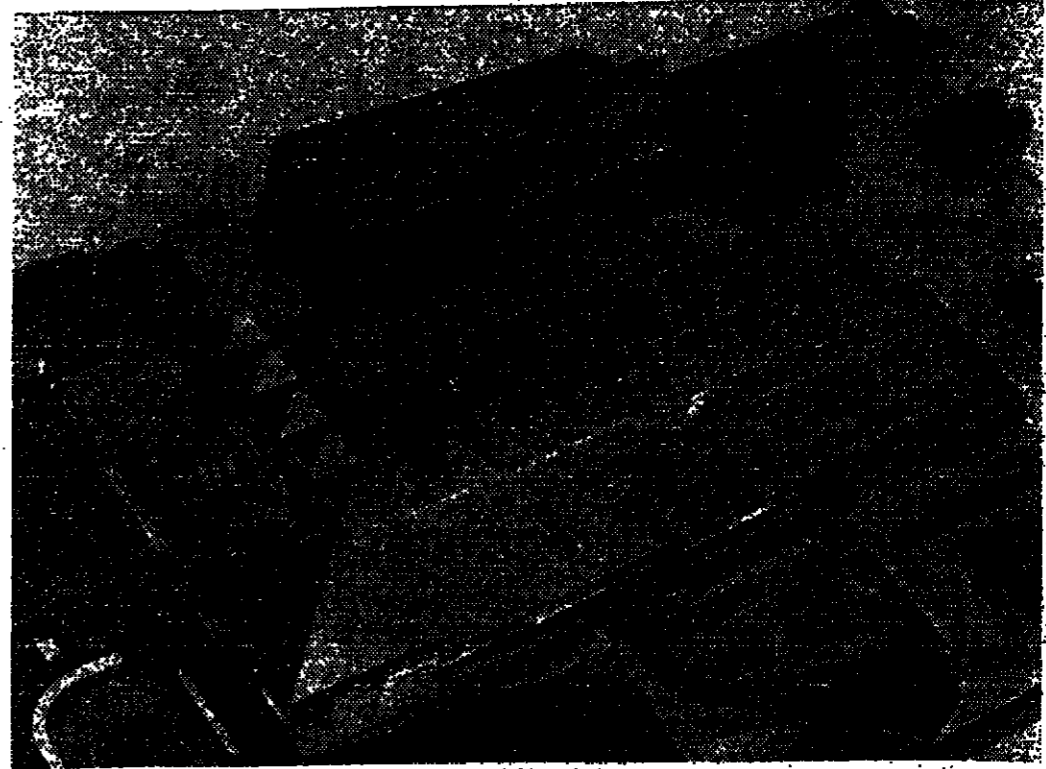
He takes the view that planning authorities have created deserts in inner city areas—specifically by taking the population at the East End of Glasgow out to East Kilbride—and that attempts to follow the fashion for regeneration of inner city areas take the risk of replacing one desert with another.

Overall, retailing seems to be the area in Scotland for competitive development, arguments and issues. In Glasgow, at the end of March, a consortium of developers announced its intention to submit a planning application for a three-acre site on the corner of Buchanan Street

and Sauchiehall Street. The view from an unbiased observer was that the planners would find it hard to let this and the St Enoch scheme go ahead at the same time.

In Edinburgh, where Princes Street has sustained a barrage of local criticism, the Reed Pension Fund is funding an adjacent 70,000 sq ft specialist retailing centre at Waverley Market. In Aberdeen three sizeable developments are on the way, although questions have been raised about the Dutch group Bredero's 340,000 sq ft scheme in St Nicholas Street at the east end of Union Street. Aberdeen's prime shopping thoroughfare.

New shopping development clearly seems to be in the forefront of property men's minds in Scotland. They are saying that people will still have money to spend, which tends to put the current recession into perspective.



Model of the Scottish Development Agency's St. Enoch development in Glasgow—one of several major schemes

SCOTLAND

WILLIAM COCHRANE

developers are still moving into the country and some of them are finding it harder to secure funding for their schemes than was the case a couple of years ago.

Allan Campbell Fraser, chairman of Scotland's major independent development company Developments Commercial and Industrial (Holdings), is all for discrimination, remarking that the Glasgow-based DCI is having no trouble at all in funding its own schemes.

"There have been various developments which have been difficult to fund," he says. "That is because they are wrongly located—speculative development in anticipation of demand which might not come," he adds, derisively. "Get them pre-let on a good covenant and there will be no problem with institutional funding."

The market place for lettings and property rents is healthy enough in Scotland—where it deserves to be. Ted Webster prefers to concentrate on the three main centres—Aberdeen, Glasgow and Edinburgh—on the grounds that provincial Scottish towns do not offer the same spread to potential investors.

With its infusion of North Sea oil money Aberdeen still takes pride of place for prime offices. Rents there are between £6 and £7 per sq ft, says Mr. Webster, although £8 has been achieved for 12 Golden Square, which he describes as the city's "best refurbishment," and is let to the Royal Bank of Scotland. Yields

Main business centres present few sparks of life

THE NORTH'S property scene presents a classic picture of the impact of recession and structural industrial change.

Developers are looking ahead with new schemes to make the most of any upturn; rent and price-juggling is going on to attract property-seekers still scarce on the ground; big mills and factories stand empty, many perhaps never to see another occupier.

In Leeds there are very few gaps in the availability of industrial space for renting and purchasing. There have been some complaints though that there is a shortage of modern purpose-built factories of medium size in suitable locations.

Developers and the institutions have been taking advantage of relatively low building costs for the construction of factory units and offices and some of them have brought forward building timetables.

Three key industries in Leeds—printing, medium and light engineering and textiles—have taken a severe buffeting in the recession. This has compounded the national economic downturn's impact by severely depressing demand from industry for new premises in the West Yorkshire city.

At the top end of the scale many big manufacturers have had their own new factory

complexes specially designed and built. These include the Systime computer company and Sulzer.

Such employers—relatively big in a countrywide economy notable for a profile of businesses whose workforces are small compared to most other industrial areas—are likely to continue this trend and so avoid the speculative market.

At the other end of the scale demand for nursery units is very modest indeed.

Warehousing and distribution—the areas of activity where there is a real spark of life—command higher rents than for industrial properties. For the latter these vary from about £2.75 a sq ft for nursery units down to £1.90 for premises of 20,000 sq ft. Sites of new factories and warehousing include the Latchmore Industrial Park and the Gelder Trading Estate.

There is a considerable amount of new office developments. A very large percentage of these, however, are in the 5,000-10,000 sq ft floor space range, creating an imbalance in the market. Moreover, only a few lettings were made in this range last year.

Less than 40,000 sq ft of first-let accommodation have been taken up since January, which could mean that owners and agents will be struggling to get

NORTH OF ENGLAND

NICK GARNETT
Northern Correspondent

rid of 100,000 sq ft during the whole year. A typical good year would see 200,000 to 225,000 sq ft let.

In Sheffield the growing expectancy over the past five years that the city, so dependent on steel and engineering, would succumb at least a little to the drift towards warehousing and distribution seems to have been well-founded. The trend has been accelerated by the collapse in the steel market and the severe decline in engineering output.

There has been a spate of industrial lettings and purchases though. On the Parkway Industrial Estate, this year have included, 7,800 sq ft to NEI Mining Equipment and 10,500 to the West German company Nixdorf. Computers. Developers there have been encouraged enough to build another 20,000 sq ft of units.

There has been a modest stream of office lets but nothing of the spectacular nature of the "scoops" achieved by Sheffield a few years ago—Midland Bank central services and the Man-

power Services Commission headquarters.

In and around Newcastle is a fairly depressing picture of a flat market. The Hardlepool and the Newcastle-Gateshead Enterprise Zones have generated a small wave of activity, mainly on the warehousing and distribution side. Quite a lot of this is simply relocation from immediately outside the zones by companies seeking to take advantage of the 10-year rate-free period. That is important to many companies who could be paying 2.45p in the pound rates outside the zones.

Of the zone areas there is probably more and varied space available in the Team Valley Trading Estate, part of which is in an enterprise zone. Much of this is speculative warehousing.

There is a market in the sale of second-hand freehold factories. Prices of these reflect the special grants available for the building of new factories in what is a Special Development Area.

Normal building costs may be £20 per sq ft but this can come down to £8 to £12 with grants. Secondhand factories generally have got to be on sale at no more than £4 to £4.50 per sq ft.

There is something like 400,000 sq ft of new and refurbished office accommodation in Newcastle and Gosforth, the

two main local areas for such space.

Merseyside is marked by somewhat of an imbalance in available office accommodation but a plethora of industrial sites and premises.

There is a healthy stock of refurbished office accommodation—some of it in the spectacular-looking buildings which give parts of Liverpool's heart so much of its character. There is a shortage though of new office accommodation, with the principal exception of Imperial Buildings.

General office rents range from £4.25 to £4.50 a square foot, considerably below Manchester, where the £5 barrier has long been comfortably breached. There is a very considerable amount of large factory premises emptied by the pressures of recession and structural change and many of these huge industrial landmarks may never hear the sound of machinery again.

Developers have been sharp enough though to plough money into speculative units to give a wide choice of newly-built accommodation, if or when demand really takes hold.

The flow of inquiries for renting and purchasing of properties in Greater Manchester is now stronger than for perhaps

two years.

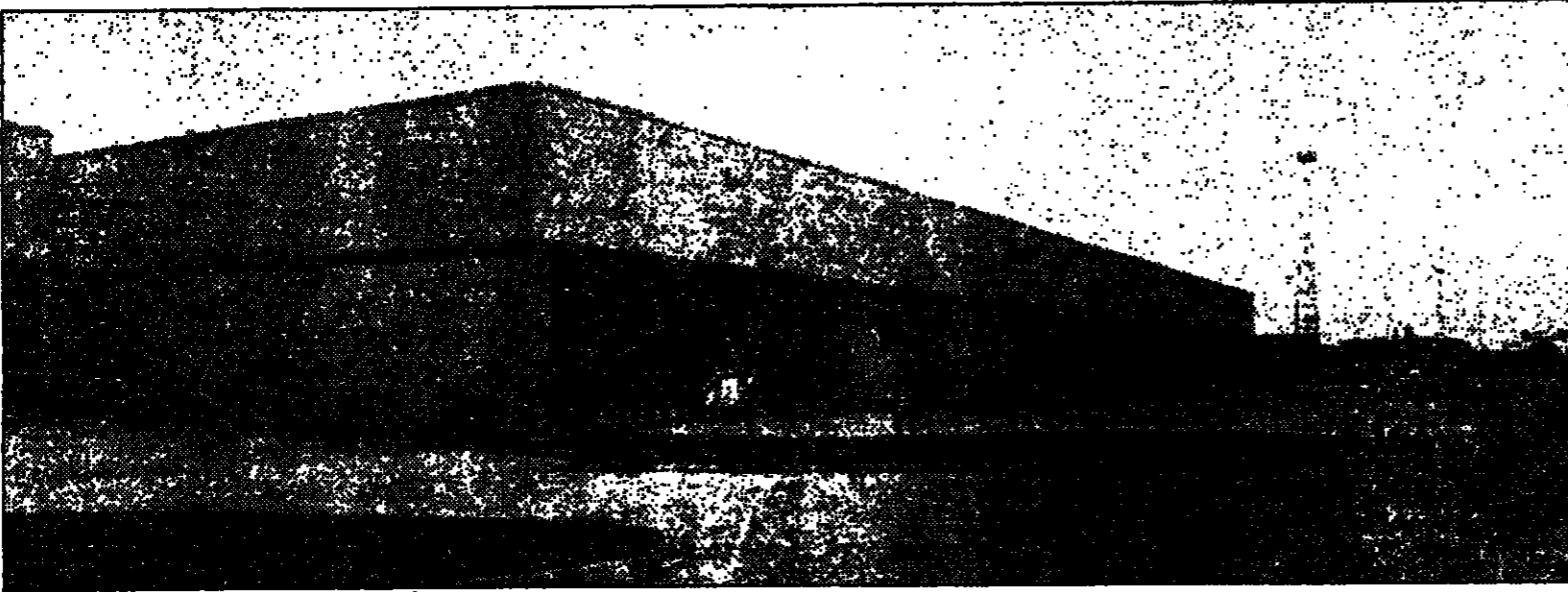
There is a great deal of property on the market and a proportion of it is moving, though not at prime prices. Some areas—both of land in and around Stockport being a notable example—still enjoy stronger demand for space than elsewhere in the conurbation and Wilmshurst still retains its position as a prime office location.

Industrial and warehousing rents tend to vary from £2.40 a square foot to £2.75 or lower. Demand tends to be stronger around motorways, partly because of transport logistics but also as a result of the preponderance of older and more difficult-to-sell properties to the east of the city, where the motorway links are not as well developed.

Some older mill-style premises have gone under the hammer for very low prices of 90p or less a square foot. Sites have been moving in the Trafford-Salford Enterprise Zones, though there are plenty who say these are generating very little new employment but are sucking in a considerable proportion of new tenants from immediately over the boundary. A site of three-fifths of an acre was sold for £40,000 and one of 1½ acres for £25,000. A 1.5 acre site with small offices went for £105,000.

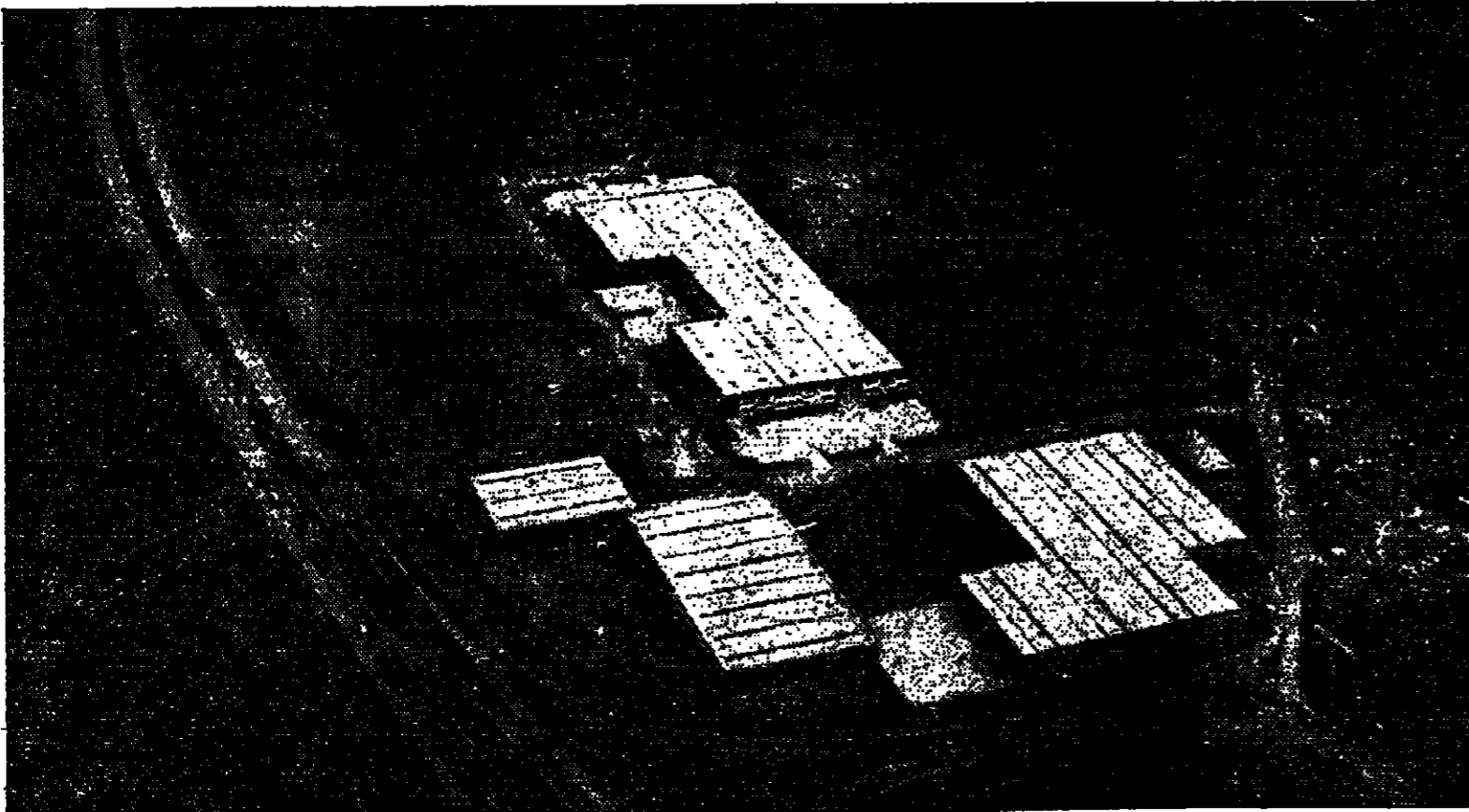
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ALEXANDER HAIG'S RESIGNATION

Victory for the 'team players'

By Reginald Dale, U.S. Editor, in Washington

WASHINGTON WILL be a quieter place without Alexander Haig. For all his faults—and his enemies would say they are legion—he stood out as a colourful, often entertaining and invariably unpredictable character.

His contorted use of the English language and his poor jokes (a Reagan administration specialty) sometimes made it impossible to decipher the president's thoughts. At his public appearances, it was never certain in advance whether he was going to talk glibly, look or actually say something quite sensible. Whether one agreed or disagreed with him, the combinations were somehow endearing—and he got a load and obviously genuine ovation when he appeared before State Department staff and journalists to announce his abrupt, defiant resignation as Secretary of State on Friday.

Clearly, to use one of Mr Haig's favourite words, the style of U.S. foreign policy, if not the content, is going to be different under the more consistent and level-headed Mr George Shultz, who, as it happens, is one of Mr Haig's old friends.

Mr Haig often seemed his own worst enemy. Like many people in Washington, he is vain, proud and ambitious. The problem is that he lets it show all too obviously, often in petty ways. On President Ronald Reagan's trip to Europe earlier this month—which in retrospect proved the beginning of the end—he is said to have complained about the seat he was assigned aboard Air Force One (the presidential jet), his position in receiving lines, his helicopter, and the rooms he and his staff were given at various stopping points.

On a broader scale, the same characteristics made him obsessive about the acquisition of personal power, and in particular, of sole and exclusive control over American foreign policy, of which he claimed to be the "vicar".

He was the most prickly and combative member of the Reagan cabinet, getting into aggressive, and sometimes unnecessary, "turf fights" from his first day. He often seemed irritated by the fact that, under the American system, the pres-



ALEXANDER HAIG
The lone moderate



RONALD REAGAN
Felt uncomfortable



CASPAR WEINBERGER
Former colleague of Shultz

ident and not the secretary of state is the ultimate arbiter of foreign policy. He was not, as Mr Reagan expects his staff to be, a "team player".

By the end, he had become increasingly a loner. He had fought brislingly with the White House, with vice-president George Bush, with Mr Caspar Weinberger, the Defence Secretary, and with Mrs Jeane Kirkpatrick, the U.S. Ambassador to the United Nations.

Most crucially, he had become estranged from Mr William Clark, his former deputy who was promoted to be Mr Reagan's national security adviser in January, and has since become more and more influential. Unlike his successor, Mr Shultz (and Mr Clark and Mr Weinberger), he has never been an intimate member of Mr Reagan's Californian coterie.

"Turf fights," particularly between the State Department, the Pentagon and the National Security Council, are the rule, rather than the exception, in American administrations. But Mr Haig's personality made him stand out in a Washington in which the first requirement is loyalty to the President and the second an ability to get on with Mr Reagan's kitchen cabinet of right-wing backers and advisers.

major factor by many of Mr Haig's opponents in the White House. Mr Haig, with his reputation as the lone "moderate" in the cabinet, was intensely disliked by the influential "America first" right-wingers around Mr Reagan, who regarded him as a "wet". They thought that Mr Haig was soft, on an increasingly nationalist Europe, soft on communism and particularly soft on "Red China".

But their influence is not all powerful. They are assigned to see Mr Haig go. They are not at all delighted that he is being succeeded by Mr Shultz, who is also seen as a "moderate" by the arch-conservative standards of today's Washington. "Out of the frying pan, into the fire," one of them said yesterday.

The irony is that until recently Mr Haig had been winning most of his battles in Washington. His influence could be seen in the milder tone of Mr Reagan's anti-Soviet rhetoric, the backing of Britain over the Falkland Islands and the refusal to condemn Israel's invasion of the Lebanon. Mr Haig believed that public withdrawal of U.S. backing from Israel, of which he is a strong supporter, would only stiffen Palestinian resistance, lead to even greater bloodshed and not further U.S. interests.

But a series of events in the last few days turned the scales against him. In addition to the

minor irritations he experienced on Mr Reagan's European trip, which included getting on badly at a personal level with Mr Reagan, Mr Haig felt that exclusive control over foreign policy was slipping further away from him. The White House, apparently on Mr Clark's advice, refused to let him accept an Israeli invitation to Jerusalem to discuss the war in the Lebanon. And, as the bloodshed mounted, Mr Reagan, Mr Weinberger and Mr Clark became more and more uncomfortable with Mr Haig's policy.

It also looked as if Mr Haig had been duped by the Israelis into believing that their forces would go no further than 25 miles into the Lebanon to establish a cordon sanitaire. The White House started conducting Middle East policy beginning to lean slightly more strongly on Israel without consulting him. In Mr Haig's view this resulted in dangerous "mixed signals" to the combatants. The White House and Mr Weinberger believe that support for Israel should not go to the extent of jeopardising Washington's relations with the Arab world.

Most humiliating for Mr Haig, however, was Mr Reagan's decision 10 days ago to extend U.S. sanctions against the projected Siberia-Western Europe natural gas pipeline by trying to prevent U.S. subsidiaries and licensees abroad participating in its construction. Mr Haig's oppo-

sition to the extension of sanctions was well known.

Since the decision, administration officials have been going out of their way to stress that it was thoroughly consistent with the line Mr Reagan has taken all along, implying that even the most simple minded could have foreseen it.

And yet it went through at a snap meeting of the National Security Council when Mr Haig was away at the United Nations in New York—a move reminiscent of President Carter's decision to launch the abortive Iranian hostage rescue mission, when the then Secretary of State, Mr Cyrus Vance, was out of town and unaware.

The administration insists that the pipeline decision is not directed against Western Europe, but against the Soviet Union, as a stepping up of sanctions in response to its behaviour in Poland. In opposing it, however, Mr Haig was being pro-European, not pro-Soviet. He certainly shared the comprehensive anti-communist gut instincts of the Reagan regime.

With his going, Western Europe has lost the best friend it had in the Reagan administration (although that is not necessarily saying very much). The compensation is that Mr Shultz is judged by those who know him to be equally sympathetic to, and understanding of, Western Europe. Herr Egon Schmidt, the West German Chancellor, is a close acquaintance, and Mr Reagan employed Mr Shultz among other things, as an unofficial roving ambassador in Europe to prepare the Versailles economic summit earlier this month.

The White House insists that the replacement of Mr Haig by Mr Shultz does not mean any change in the Administration's basic approach to foreign affairs.

What it almost certainly means, on the contrary, is that Mr Reagan wants his policies carried out in a less troublesome and disputed manner. The popular Mr Shultz is a "team player". A former Treasury secretary, Labour secretary and Budget director, he has a reputation in Washington as a loyal executor of Administration policies even if he disagrees with them, and he is a member of the California Mafia.

As a former close colleague of Mr Weinberger at the Bechtel Corporation, the giant private California engineering and construction multi-national, the White House clearly hopes that Mr Shultz will be able to smooth relations between the State Department and the Pentagon. That remains to be seen.

Mr Shultz will not appease those conservatives who wanted Mr Haig's head on a platter. To many of them he is even more suspect. He is on the record, for example, as opposing trade sanctions—one of the Right's favoured weapons against the Soviet Union. Nor will he appeal to the powerful Jewish lobby, which regards him, and Mr Weinberger, as anti-Israeli in the light of Bechtel's extensive links with the Arab world and Saudi Arabia in particular. He is likely to be closely questioned on the issue when he faces confirmation hearings in the Senate in two weeks' time—although his confirmation is hardly in doubt.

It is his supposed pro-Arab tilt that has prompted most of the speculation in the last two days about a possible shift in U.S. policy in the Middle East. Despite his company's connections, Mr Shultz is said to be "even-handed" in the matter. While Mr Haig's previous experience of foreign affairs was gained primarily through his military career, Mr Shultz's international experience has been largely economic. That is a dimension which Mr Haig notably lacked. It will be all the more use in that two of the State Department's most senior experts in international economics, Mr Myer Kashish and Mr Bob Hormats, have recently resigned.

America's allies will be hoping that with Mr Shultz's arrival on the scene they will still have a friend at the head of the traditionally sympathetic State Department, but also that with less inter-departmental infighting they will have a better chance of knowing whom to believe when policy is enunciated. In the end Mr Haig lost his fight to be the sole spokesman for the U.S. in world affairs. Mr Shultz is still an unknown quantity in his new job, but he will almost certainly be much closer to Mr Reagan than his prickly predecessor.

Lombard Job-creation by lower wages

By Ian Hargreaves

THE GOVERNMENT, it seems, is losing confidence in one of its most deeply cherished Labour market theories: that Britain's youth unemployment crisis can be solved, in part, by driving down the wages paid to young people.

It may have been mainly a case of realpolitik, but Mr Norman Tebbit's agreement last week to increase the trainee allowances for the new youth training scheme from £15 a week to £25 a week is really the first concession the Government has made in this debate since systematic evangelisation on the subject began last summer.

More significantly, it was rather noticeable in Mr Tebbit's remarks in the Commons that he had nothing to say about the Young Workers Scheme—the programme hand-crafted by Professor Alan Walters, the Prime Minister's economic adviser, which subsidises employers on condition that they employ young people at certain, relatively low, rates.

The reason for this change of tone, one suspects, is the nagging question of evidence. Department of Employment researchers are having some difficulty arming ministers with the material they need to defend their point of view in anything other than what Mr Tebbit would call a common-sense fashion.

A running sore for the Government in this research conundrum has been a Department of Employment paper called "Youth Unemployment" written by Mr Peter Makeham in 1980. That contained a statement, since featured in numerous anti-Government pamphlets on the subject, that "variations in youth unemployment do not appear to have any systematic relationship with changes in the relative earnings of young people".

The figures themselves, like most figures, are open to inter-

pretation. Makeham's own data shows that earnings of males under 21 rose as a proportion of the average male hourly rate from 46 per cent in the mid-1950s to almost 62 per cent in 1974, before levelling off. Manpower Services Commission figures, taking the under-18s (more relevant in a sense, since 18 is the age of majority) show no change from the 43 to 44 per cent range since 1974, which is of course, when the chronic build-up in youth unemployment started.

Mr Tebbit has had his junior ministers write to some of the pamphleteers talking of updated research to the Makeham study, but his department has refused to make it public.

The latest research rat to be scented concerns the Young Workers Scheme itself, which for several weeks the Department's officials have been cheerfully stating to be too recent to have permitted any statistical analysis.

It transpires, however, that last December, during the first major batch of applications, a survey of several hundred companies was carried out, designed to test not the effect of the scheme on pay levels (it really is too early to judge that) but the extent to which it has helped create jobs as opposed to subsidising jobs which would have been there in any case.

Thus far, the department, although it now acknowledges the existence of this study—completed several weeks ago—has refused to disclose any of its findings.

Expensive

Until it does, the rest of us will be inclined to believe the rumours among the pamphleteers that the scheme has in fact "created" less than one job for every 10 it has subsidised. Which would make these young people the most expensive shelf-stackers in the history of the British grocery business.

Letters to the Editor

Housing needs more resources in the private sector

From the Director, House Builders Federation

Sir—Your leader "Tax distortions in housing" (June 28) raises a range of issues which all deserve far more discussion than you have given them. Twenty years ago private individuals held broadly the same proportions of their wealth in land and dwellings as they did in company securities. The growth in home ownership since 1960, from 42 per cent to 56 per cent is described as a "none too healthy change in the pattern of investment preferences of individuals". The logical conclusion of your statement must then be that if the 52 per cent of households in rented accommodation in 1960 had remained in rented accommodation, then more individuals would now own company securities, and Britain would have a healthier economy. Or, in other words, we would have a healthier economy today if we had built more state owned dwellings and fewer privately owned houses. And/or perhaps you believe we should not have built so many houses at all?

The growth in home ownership is not "a quirk" of the British tax system. It is, in social terms, the achievement of

a legitimate preference expressed by millions of individuals and it has been a deliberate policy, objective sought by governments of both major parties. Nor is tax neutrality between tenures a sensible option when the whole weight of public opinion and Government policy has for years been behind the expansion of private home ownership because of its considerable individual, social and economic benefits.

There is growing consensus outside Westminster that home ownership enjoys more than its fair share of tax relief. Where? Among which groups? There is certainly no such consensus in the nation at large, least of all among the 12m households who own their own home, the 5m more who aspire to own their own home, or the 500,000 people who have applied to buy their council house.

Shelter is among the most vocal in pointing out the extremely low level of new house building and the apparently alarming deterioration in the existing housing stock. One answer to this situation is to expand home ownership, still further. This answer is not only good economic sense, but it fits

in well with meeting the overwhelming desire of people in this country to own their own home. Another answer, proposed in various forms by groups such as Shelter and those on the Labour left, is to expand the rented sector, either public or private. The only problem with this answer is that it is bad economics and will produce a result which is in direct opposition to the desires of the vast majority of people.

Housing in this country needs more resources diverted into the private sector, not less. It needs more attention to ways of making the benefits of home ownership available to those at present forced into rental accommodation, not less. And it needs less attention to be given to groups representing minorities such as Shelter and more concern for informed debate on new ways of ensuring that more houses are built of a type, at a price, and in a form of tenure which meet the needs and preferences of those who will live in them. Your contribution to this debate is, to say the least, inadequate.

J. R. Humber, 82, New Cavendish Street, W1.

Accounting convention

From Mr F. Glenister

Sir—Mr Dickson (June 15) highlighted one of several adverse economic consequences of accounting. These are the issues of dividend cover, interest cover and taxation. There is evidence that directors base their dividend policy on their reported accounting profits typically having, say, a 40 per cent payout ratio. It also seems likely that banks and other lenders base their lending decisions on profit figures. Unfortunately both dividends and interest payments are cash transactions whereas the reported profits of a company, whether historic or current cost profits, bear no simple relationship to its cash flow and hence its ability to meet these obligations. In most cases it will be found that the historic cost profits overstate company cash flows, especially during times of either expansion and/or inflation which both demand an increased investment in working capital, while current cost profits fall somewhere in between. If one wishes to understand the underlying economic position of a company, which can not logically change according to the accounting convention used, there is no substitute for a cash flow analysis of the firm. Only such an analysis will reveal the true interest and dividend cover.

In the same way our current tax regime taxes company profits rather than cash flows, which represent the true ability of companies to pay tax or not. The various adjustments available, such as 100 per cent first year allowances, do not fully offset the difference between company cash flows and company profits. When tax paid is computed as a percentage of company cash flows it is found that different companies, even within the same industry, live in different effective tax regimes. How can this be equitable?

Mr Dickson also touches on the lack of sense displayed by directors who continue paying dividends which need to be financed either from additional borrowings or from raising new capital. There is no sense in this, especially when the payment of dividends triggers the payment of advanced corporation tax which may be unrecovered in many cases, due to the lack of mainstream corporation tax liability, thereby representing a leakage of shareholder wealth to the Inland Revenue.

Francis Glenister, 18 Fridmouth Road, Withington, Manchester.

Cross-Channel links

From Mr A. Gusterbock

Sir—Mr Groves (June 15) attempts to correct some of the "stems misconceptions" which were contained in my recent article of British Steel's EuroRoute scheme for a fixed link between Britain and France. I certainly do not have any misconceptions in respect of his oft-quoted comparison of EuroRoute with the Chesapeake Bay-Bridge Tunnel in the U.S. A more disastrous example of this type of structure would not be easy to find. Since it was built, some 17 years ago, several ships have collided with bridge sections resulting in this major transport link being completely closed to traffic for periods of weeks at a time. The longest closure, I believe, was 42 days in 1970 when a U.S. Navy vessel was in collision with the bridge.

As EuroRoute would successfully put the shortest route ferry operators out of business, it would not be difficult to imagine the chaos which would result with the UK being cut

off from the Continent for such a length of time. Mr Groves says it is "illogical" of me to claim that a twin rail tunnel will have the same road traffic capacity as EuroRoute with its two-lane dual carriageways. I will extend my so-called "illogicality" a stage further, by claiming that such a tunnel would have a road traffic capacity superior to EuroRoute!


The peak hour capacity of the Channel tunnel roll-on roll-off vehicle shuttle service is conservatively estimated to be 3,500 road vehicles in each direction. The maximum peak hour capacity for two-lane dual carriageways is only 3,200 vehicles in each direction (DOE HS/74), but EuroRoute could not achieve anything like this design capacity. Traffic flow would be interrupted by toll, immigration and customs checkpoints on the first island and seriously slowed in negotiating the road spiral down to the tunnel at sea-bed level and the second spiral from the tunnel up to the other island.

The recently published Franco/British joint report on

the construction of a fixed Channel link concluded "... the balance of advantage lies with bored twin railway tunnels (ie seven metres in diameter) with a vehicle shuttle service, constructed, if necessary, in phases. This solution would appear to be in the broad interests of both countries, since it would offer a secure means of transport, it would be energy saving in operating and would not adversely affect employment.

The choice, therefore, within the foreseeable future is not between a tunnel and a combination of bridges, islands and tunnels but between a tunnel and continuing to rely on the sea ferry services. There are many motorists, we believe, who would find the prospect of sitting in the comfort of their own vehicle and being chauffeur driven "by courtesy of the Channel tunnel vehicle shuttle service for the 35-minute cross-Channel journey" not unattractive.

A. F. Gusterbock, Channel Tunnel Developments (1981), 27 Hammersmith Grove, W6.



A FINANCIAL TIMES CONFERENCE

Business Reorganisation

-A BALANCING OF INTERESTS

Hotel Inter-Continental, London,
July 12 & 13, 1982

This two-day conference, which follows the publication of the Cork Report, will examine the current state of the Law and its practical applications and will pose the question 'Is there a better way?'. A feature of the programme will be a comparison with American Law and Practice.


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Cork Gully & Co
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Assistant General Manager
Barclays Bank plc
- Mr F G Fisher, Jr
Senior Partner & Head of
Commercial Practice
Hale & Dorr, Boston

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Review Committee
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Business Reorganisation

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EURODEPOSITS

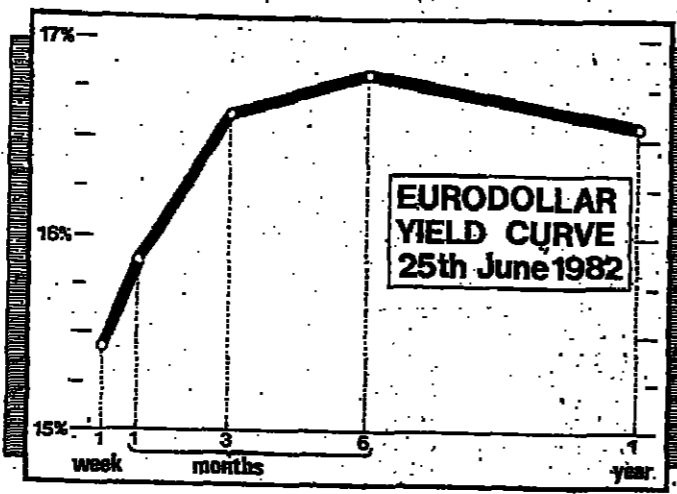
Liquidity shortage upsets traditional rate pattern

VENEZUELA'S decision three weeks ago not to raise a Euro-credit on margins related to U.S. prime rates turns out to have been seriously ill-timed. Venezuela rejected the credit on the basis of the conventional Euro-credit market wisdom that prime-based borrowing is more expensive than that based on the London interbank offered rate for Eurodollars (Libor).

Normally Libor stays below prime, sometimes by more than half a point and, although precise differentials are a matter of great controversy, one U.S. bank economist calculates that the difference between average prime rates and average Libor in the two years to May was actually greater than 1 per cent.

Yet since the Venezuelan decision, the two rates have moved unusually close together. Friday even saw the rare phenomenon of six-month Libor being quoted at 16 1/2 per cent, which was above the prevailing prime rate of 16 1/4 per cent.

In part this merely reflects the technical situation in the market. The two rates have always tended to move closer together at times when interest rates are rising and this is all the more true nowadays since U.S. banks seem to regard prime as less of a benchmark rate which has to be altered rapidly in response to market developments than they once did.



the present distortion of the traditional relationship between prime and Libor. Basically, liquidity in the Eurodeposit market, which is the lifeblood of the Eurocredit market, is much tighter than it was a year ago, they say.

Fewer OPEC funds

The most obvious reason for this is the smaller supply of Opec surplus funds to the market, which has not been accompanied by any reduction in borrowing requirements since many sovereign borrowers face large interest bills on their foreign debt and are finding it difficult to maintain exports in a world recession.

Distorted relationship

The chart shows how expectations of a further rise in interest rates have distorted the relationship between three- and six-month Eurodeposits and very short-dated periods. For much of the past two weeks there has been a gap of some two points between six-month rates and overnight money as investors anticipated an imminent rise in the whole rate structure.

Once the markets have settled down, this gap should narrow again, and as the prime rate should have also moved back in line with the market, some bankers expect a reversion to the previous relationship between prime and Libor.

Other bankers argue, however, that underlying factors in the Eurodeposit market may lend a more lasting quality to

and into the "safe haven" of U.S. Treasury Bills. This is despite a relatively large yield differential, which on Friday saw three-month U.S. Treasury Bills trading some 3.6 points below similarly dated Eurodeposits.

Bankers stress that there is nothing resembling a full-blown credit crunch in the Eurodeposit market. Yet there has been a marked increase in what the jargon calls "tiering", in which some banks have to pay substantially more for their deposits than others.

This has particularly affected banks from developing countries, and especially Latin America in the aftermath of the Falklands crisis. Ironically, it is precisely the banks which are now being penalised in this way to which the bigger Eurocredit banks often turn in their efforts to place large syndicated credits for Latin American governments.

Peter Montagnon

INTERNATIONAL BONDS

Quality issues attract bargain hunters

IS THE Eurobond market's shake-out over? Not just yet, according to a number of new issue managers, dealers, and institutional investors.

After a month of steadily declining bond prices and rising yields, the worst may be past, but the Eurocredit market is still sick. Eurodollar bond prices have fallen by nearly 8 points since the beginning of this month, the Euro-D-mark bond sector by more than 4 points, and the Swiss franc foreign bond market by around 3 points on average.

The main result of all this—beside the trading losses and sleepless nights which many Eurocredit participants have been suffering—is that several quality issues are now selling at attractive prices. The bargain hunters have started to gawk and choose.

The large institutional investors who manage billions of dollars of funds appear to be buying selectively, underscoring again the increasing quality-consciousness of the Eurocredit market. With this in mind, many in Europe have welcomed the news that Standard and Poor's will begin rating Eurobonds immediately.

The yields on several quality Eurodollar issues are now between 15 1/2 and 16 1/2 per cent and it is these bonds which are attracting the buying interest. One European institutional investor, who will over \$1bn worth of funds put it this way last week: "There are only two ways this market operates—out of fear or greed. We are now in the fear phase and it is time to buy heavily where there is cheapness and quality."

This investor, like many dealers, believes that the sell-off has been overdone. This is

not to say that the market is heading for a major rally, but rather that the knock-down quality issues must not be missed.

Alongside the quality bargains, however, are the Triple B and Single A-rated issues now yielding close to 17 per cent. Nothing illustrates the two-tier market as well as the experience of Morgan Stanley with its Ohio Edison five-year \$50m bond.

The Ohio Edison paper-rated triple B-minus by Standard and Poor's and single B-double-A by Moody's—carried an initial coupon indication of 16 1/2 per cent at a discount price. It was priced last Thursday at 17 1/2 per cent and par. The issue was increased to \$75m and Morgan Guaranty was brought aboard as a co-lead manager.

Morgan Guaranty is said to have taken care of more than \$30m of the Ohio Edison issue, thus helping it along. The 17 1/2 per cent coupon did the rest.

Back in the premier quality range, some French names appear to have suffered from the strength of the U.S. dollar against the French franc. This has encouraged European investors looking for exchange rate gains to sell the bonds of French state entities whose credit rating may be affected by an increased debt service burden.

The Electricite de France 11 1/2 per cent 1990 issue appears to bear this out. A large selling order on Friday brought the EDF issue down 1/2 point to 7 3/4, yielding 16.41 per cent. The order is said to have come from the Continent.

Likewise, the Caisse Nationale des Telecommunications (CNT)

9 1/2 per cent 1986 bonds have lost around 2 1/2 points over the past fortnight and stood at 8 1/2 last week before the bargain-hunters started buying again.

Where else were the bargain-hunters active? Zero-coupon bonds, having been knocked for six like everything else in recent weeks, are again attracting substantial interest. Arco's zero issue increased 1 1/2 points to 26 1/2 by Friday, while the Campbell Soup zero bond went from 24 1/2 bid to 26 1/2 bid last week.

Meanwhile, the West German foreign bond market remains in the doldrums. The two-week freeze on new issues expired on Friday, but few offerings are expected, given the state of the market.

Alan Friedman

CREDITS

French borrowers see advantage in ECUs

SAINT-GOBAIN Pont-a-Mousson, France's newly-nationalised glass conglomerate, is raising a seven-year credit in the Euro-market denominated entirely in European currency units.

The credit, which is led by Banque Nationale de Paris and Morgan Guaranty, is for a sum of ECU100m and bears a margin of 1/2 per cent for the first five years rising to 3/4 per cent for the remaining two. Repayments begin after five years.

Saint-Gobain already uses the ECU for its own internal accounting, but its use of the European Community currency unit for this transaction reflects some deeper-rooted advantages for French borrowers at the moment.

Since the ECU already has a French franc content, French borrowers who use it are running a less painful exchange risk than if they borrow dollars. The French authorities recently exempted ECUs from domestic credit control restrictions as part of an effort to encourage their use.

Yet deals denominated in ECUs have remained relatively rare in the Eurocredit market, despite a growing use of the unit as a bank deposit medium. Funding the operation could cause problems for participating banks if at the rollover date they had no access to ECU deposits. Lead managers will undertake to make the ECUs

available if necessary to cover this eventuality.

The composition of the ECU could also change during the lifetime of the credit, and for this reason banks are being offered slightly higher margins on the Saint-Gobain transaction than would normally be expected on French state-sector loans.

But France also has a political commitment to the development of the ECU in commercial transactions, and three large state sector banks are looking at ways of encouraging its use by setting up a clearing house facility for ECU deposits.

The French credit was one of the few new developments in the Eurocredit market last week.

Elsewhere in Europe, a mandate for Greece's Public Power Corporation was still awaited on Friday, a week after bids had been submitted.

Business has already slackened markedly ahead of the summer holiday period, and the slow-down seems more complete than usual this year because of nervousness over the creditworthiness of Latin American borrowers.

Another trouble spot, Eastern Europe, is also coming slowly back into the limelight. Romania last week repaired its relations with the International Monetary Fund, which could speed up its rescheduling talks with commercial banks, while Polish debt negotiators are to meet

the banks again in the first half of July.

These talks, to be held in Vienna, will involve preliminary work on a 1982 debt rescheduling agreement. They are going ahead even though Western governments still refuse to discuss official debt rescheduling.

Poland owes Western banks some \$2bn this year, while governments are owed around \$3.5bn. The country has paid no interest on its foreign debt for 1982, however, and the banks are likely to press for some interest payments at the Vienna talks even though Poland has said that it wants to capitalise interest due in any 1982 rescheduling agreement.

P.M.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Ohio Edison†	75	1987	5	17 1/2	100	Morgan Stanley, Morgan Guaranty	17.250
BNP**††	75	1994	12	5 1/4	100	Samuel Montagu	—
CIBC†	200	1994	12	5 1/4	100	CIBC, Hambros Bank	—
SWISS FRANCS							
Nippon Carbon**†	35	1987	—	6 1/2	100	CS	—
Sumitomo Heavy**†	50	1987	—	6 1/2	100	SBC	6.750
Gillette Ovs. Fin.**†	45	1988	—	6 1/2	100	SBC	6.750
Sperry Corporation NV**†	100	1989	—	7	100	URS	7.000
World Bank†	100	1992	—	7 1/2	100	CS	7.250
Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
OKB	100	1992	—	—	—	Wirtschafts- und Privatbank	7.125
STERLING							
New Zealand†	100	1987	5	14 1/2	99.345	SG Warburg	14.456
ECU							
EIB	40	1989	6	13 1/2	—	Kreditbank Int'l., Soc. Gen. de Banque	—
KUWAITI DINARS							
OKB†	7	1987	5	12 1/2	99 1/2	KFTIC, KIC, KIC	12.821
YEN							
Procter and Gamble†	20bn	1993	9.03	8.6	100	Daiwa Secs.	8.600

* Not yet priced. † Final terms. ** Placement. †† Floating rate note. ‡ Minimum. § Convertible. Note: Yields are calculated on AIBD basis.

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. \$50,000,000

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- SALOMON BROTHERS INTERNATIONAL
- UNION BANK OF SWITZERLAND (SECURITIES)
- BETH EASTMAN PAINE WEBBER INTERNATIONAL
- CREDIT SUISSE FIRST BOSTON
- DG BANK DEUTSCHE GENOSSENSCHAFTSBANK
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- SWISS BANK CORPORATION INTERNATIONAL
- S. G. WARBURG & CO. LTD.

- ALGEMENE BANK NEDERLAND N.V.
- JULIUS BAER INTERNATIONAL
- BANK CANTRADE SWITZERLAND (CL)
- BANK LEU INTERNATIONAL LTD.
- BANQUE BRUXELLES LAMBERT S.A.
- BANQUE GENERALE DU LUXEMBOURG S.A.
- BANQUE DE PARIS ET DES PAYS-BAS
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- GENOSSENSCHAFTLICHE ZENTRALBANK AG
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- OSTERREICHISCHE LANDESBANK
- J. HENRY SCHROEDER WAGG & CO.
- SMITH BARNEY, HARRIS UPHAM & CO.
- SVENSKA HANDELSBANKEN
- WESTDEUTSCHE LANDESBANK GIROZENTRALE
- AL-MAL GROUP
- BANCA COMMERCIALE ITALIANA
- BANK GUTZWILLER, KOTR, BUNGENNER (OVERSEAS)
- BANK MEES & HOPPE NV
- BANQUE FRANCAISE DU COMMERCE EXTERIEUR
- BANQUE DE NEUFLEZE, SCHLUMBERGER, MALLET
- BANQUE POPULAIRE SUISSE S.A. LUXEMBOURG
- BANQUE WORMS
- BAYERISCHE LANDESBANK GIROZENTRALE
- JOH. BEBENBERG-GOSSLER & CO.
- CHEMICAL BANK INTERNATIONAL GROUP
- COUNTY BANK
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- EUROBANKING S.p.A.
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- PIERSON, HELDRING & PIERSON N.Y.
- N. M. ROTHSCHILD & SONS
- SKANDINAVISKA ENSKILDA BANKEN
- SUN HUNG KAI INVESTMENT SERVICES HK
- VEREINS-UND WESTBANK
- J. FORTOBBEL & CO.
- WOOD GUNDE
- YAMAICHI INTERNATIONAL (EUROPE)

May 19, 1982

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June 25, 1982

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

NEW YORK BONDS

Voracious Treasury to test market

THE CREDIT market will be tested again this week by the U.S. Treasury, which plans to sell \$4bn of new four-year notes...

Table with 2 columns: U.S. INTEREST RATES (%), Week to Week to June 25, 1982. Rows include Fed. funds wkly. av., 3-month Treas. bills., etc.

to come for the market. Treasury financing requirements in the second half of this year are expected by some market participants to reach as much as \$100bn, if not \$110bn.

U.S. INSURANCE

Tax ruling threatens new life policies

THE U.S. life insurance industry has been thrown into a redefined tizzy in the past fortnight by a ruling from the Internal Revenue Service (IRS)...

deferred annuity contracts—is a distribution similar to a dividend. The IRS said in a ruling last week...

Kanebo kept in the red by provisions

BY YOKO SHIBATA IN TOKYO KANEBO, THE Japanese textile manufacturer which has been diversifying into food products, pharmaceuticals, and cosmetics, has reported a 35 per cent jump in unconsolidated pre-tax profits to ¥1.1bn (\$42m) in the year ended April 30.

Chief for MasterCard worldwide division

Mr David M. L. McWilliam has been appointed head of the international division of MASTER-CARD INTERNATIONAL, New York...

GROUP, will as of February 1, 1983, join the Kansallis-Osake-Pankki to become chief executive...

Mr Pentti Talonen, who has been a member of the supervisory board of Pohjola Insurance Company since 1974, will succeed Mr Lassila as managing director of all the companies within the Pohjola group.

INTERNATIONAL APPOINTMENTS

30 1983, after having taken part in the management of Pirelli throughout Europe. He will be located in PPG's European glass office in Paris.

been a member of the board since January. Mr David A. Lattiano has been elected to the newly created post of vice president systems, planning and analysis for STAR-KIST FOODS, INC. Los Angeles, Calif.

Paul Betts

Advertisement for Superintendência Nacional da Marinha Mercante. Includes logos for Sunam and BPE, and text in Portuguese and English regarding French Francs and US \$165,000,000 Medium-Term Loan.

FT INTERNATIONAL BOND SERVICE

Table with multiple columns: U.S. DOLLAR STRAIGHTS, DEUTSCHE MARK STRAIGHTS, SWISS FRANC STRAIGHTS, EUROPEAN STRAIGHTS, YEN STRAIGHTS, OTHER STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLE BONDS. Includes columns for Issued, Bid, Offer, Day, Week, Yield, and Change on.

EUROBOND TURNOVER (nominal value in \$m) Last week: 3,473.3 3,627.7 Previous week: 4,144.3 4,642.6

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interim or final. The sub-divisions shown below are based mainly on last year's timetable.

Table with columns for Date, Title, and Venue. Lists various trade fairs and exhibitions such as 'International Boatcovering Exhibition-INTEX', 'Temperature Measurement and Control Exhibition and Conference-TEMPCON', etc.

Table with columns for Date, Title, and Venue. Lists overseas trade fairs and exhibitions such as 'Videotex Exhibition (09274 28211)', 'Temperature and Transducer Conference and Exhibition - SENSORS AND SYSTEMS', etc.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Table with columns for Date, Title, and Venue. Lists UK trade fairs and exhibitions such as 'International Boatcovering Exhibition-INTEX', 'Temperature Measurement and Control Exhibition and Conference-TEMPCON', etc.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Table with columns for Date, Title, and Venue. Lists overseas trade fairs and exhibitions such as 'Videotex Exhibition (09274 28211)', 'Temperature and Transducer Conference and Exhibition - SENSORS AND SYSTEMS', etc.

BUSINESS AND MANAGEMENT CONFERENCES

Table with columns for Date, Title, and Venue. Lists business and management conferences such as 'IAEBRIE: International energy markets—the changing structure (067 282 2711)', 'Energy Business Centre: Engineering Contracting and Sub-Contracting in UK Oil and Gas Projects (01-439 9021)', etc.

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Financial Times Conferences

UNIT TRUSTS—THE WAY AHEAD
London—October 13, 1982
Cosponsored by Money Management and the Unit Trust Association this one-day conference will assess worldwide investment possibilities, with special reference to the use of unit trusts.

WORLD FINANCIAL FUTURES

London—September 13, 14 and 15, 1982
This World Financial Futures meeting has been arranged to precede the opening of the London International Financial Futures Exchange. It comprises two major events, an international two-day conference, preceded by a one-day training seminar.

NOTICE TO HOLDERS OF DEPOSITARY RECEIPTS REPRESENTING COMMON STOCK OF

Kubota, Ltd.

(Kubota Tekko Kabushiki Kaisha)

Amendments to the Japanese Commercial Code (the "Code") and related legislation will affect certain rights of the holders of depositary receipts of all Japanese companies, including depositary receipts representing shares of Common Stock of Kubota, Ltd. (the "Company") in the light of this legislation, and in order to effect certain other changes in the deposit agreement dated September 15, 1969, as amended and restated as of February 1, 1976, among the Company, Morgan Guaranty Trust Company of New York, as Depositary, and the holders of Receipts (the "Deposit Agreement"), the Deposit Agreement is being amended and restated effective October 1, 1982.

The Company in the future may change the number of Japanese Shares comprising a Unit by amending its Articles of Incorporation. Under the Deposit Agreement, as amended and restated, the Company has agreed that it shall give notice of any such amendment at least three months prior to the effectiveness of such amendment except that for amendments decreasing the size of a Unit to a number evenly divisible into the previous Unit size, such notice shall be given at least two weeks prior to the effectiveness of such amendment.

These amendments to the Code will not impair a holder's right to transfer Receipts outside of Japan or to sell Receipts.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Depositary

Dated: June 25, 1982 New York, N.Y.

Advertisement for Knight Computer International PLC. Includes logo, share capital (£300,000), and details of the share offering (2,452,500 shares at 60p per share).

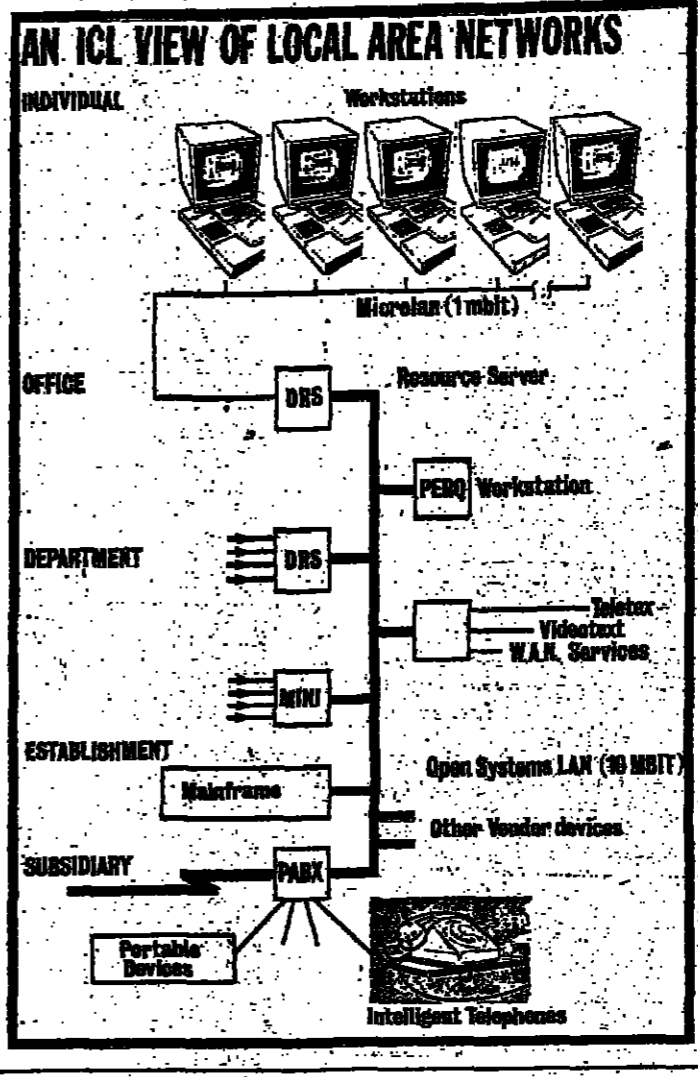
Advertisement for Kuwait Real Estate Investment Consortium K.S.C. Includes logo, share capital (Kuwaiti Dinars 20,000,000), and details of the medium term loan.

Advertisement for Financial Times Conferences. Details the Unit Trusts conference and the World Financial Futures meeting, including dates, locations, and contact information.



Digitised measuring

FIELD ELECTRONICS, a new company based in East Sussex, has brought out a series of "Intelligent" units which convert physical measurements into digital form...



pressing matters to consider than broadband, such as getting baseband standards agreed for truly open networking. He believes that before too long, companies that do not subscribe to standards and try to "go it alone" will be left out in the cold.

Why ICL plus 19 equals progress

GEOFFREY CHARLISH explains networking philosophies

LAST WEEK'S decision by ICL and 19 other companies to support the new European Computer Manufacturer's Association (ECMA) standards for "open" local area networks (LANs) is a bold attempt to push standardisation onwards, but there is a long way to go yet.

surprise has been expressed at what is seen as an unexpectedly early decision. A spokesman pointed out that IBM is also an ECMA member so that the decision is "hardly unanimous."

determined time (related to traffic levels) or keeps trying repeatedly. In token passing systems, the other main option, a digital access "token" moves from device to device round the ring.

Then, the cable can carry say, three separate lots of data, each borne by a separate radio frequency carrier. One might be a 12 Mb/s CSMA channel, the second could carry several TV channels and the third some low speed data channels for other services.

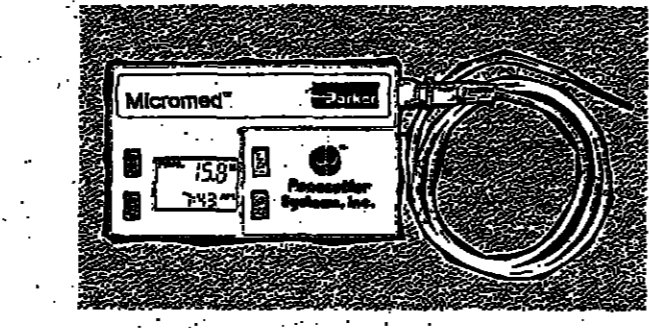
pressing matters to consider than broadband, such as getting baseband standards agreed for truly open networking. He believes that before too long, companies that do not subscribe to standards and try to "go it alone" will be left out in the cold.

Small may be best for diabetics needing daily insulin doses

BY RAYMOND SNOODY

TWO CALIFORNIA companies have combined their technological expertise to produce what is claimed to be the smallest and most advanced insulin pump so far for diabetics.

commercial race between companies like Siemens in West Germany and Eli Lilly in the U.S. to produce smaller, better and more acceptable pumps for a growing market.



Micromed, the miniature insulin pump. The pump is a small, rectangular device with a circular dial and a small display screen.

U.S.\$2,500 it is at the top end of the market. Pacemaker says that the batteries have to be changed once every 30 days on average, the drug reservoir holds a five to 10 day supply of insulin and a liquid crystal display shows what dose of insulin is being supplied to reduce the risk of patient error.

implanted device which responds automatically to blood sugar levels as the pancreas does is believed to be still some years off. But research on such a device is already under way at John Hopkins.

retard the progression or prevent the complications in the first place," Dr Sherwin said. He regarded the pump as an experimental device. It was particularly appropriate for helping diabetic children reach their full growth potential and for pregnant women where blood sugar levels had to be strictly controlled.

BUILDING AND CIVIL ENGINEERING

Materials sector criticised

THE NEED for British building materials producers and manufacturers to take greater advantage of export markets and to combat a rising tide of imported building products is highlighted in a new and hard-hitting report prepared for the Building and Civil Engineering Economic Development Committee.

performance, the level of defects and shortages, technical support, availability of custom-made products and the quality of technical personnel. "UK manufacturers have generally been reasonably successful in selecting appropriate market sectors. However, they have usually adopted a policy of following trends, rather than initiating them, and this has often led to competitors developing new market opportunities and gaining a foothold in the UK.

both UK and export markets." The report also suggests that manufacturers should look to make improvements in: Market research and after sales services. There should be closer liaison with customers. Manufacturers should be prepared to consider special prices for large customers like public sector purchasers.

'Slim chance' of sustained recovery

HOPES of a sustained recovery for the construction industry are unlikely to be realised according to the Royal Institute of British Architects which has just published its latest quarterly workload survey.

one or two doubts have been expressed recently about whether the pace of recovery in new housing starts can be maintained throughout the rest of this year. There is as yet no sign that the spring upsurge in new housebuilding activity has slackened, although talk of recovery must be set against the record low level of housing starts made during the early part of 1981.

Gleeson wins £35m Nigerian water scheme

GLEESON CIVIL ENGINEERING has been awarded a £35.15m contract by the Plateau State Government of the Federal Republic of Nigeria, for the construction of dams, water supply and treatment works at Shendam and Nasarawa.

Travel Corporation of India, Hotels and Resorts said the contractors, promoters and a financial team will meet in Colombo next month to negotiate loan financing and guarantees from the Bank of Ceylon and discuss other matters with the State Urban Development Authority which has leased the land facing the Galle Face Esplanade. Construction of the 375-room hotel will begin in August. A share issue is being floated to raise funds locally.

Paris—'city of the future'

A DECREE from President Mitterrand has launched a plan by the French Government to spend FFr 16,000m (£1,600m) on a variety of ambitious development schemes in the centre of Paris.

the future." His Paris building programme is also being seen as an antidote to growing unemployment in the capital as well as a serious attempt to upgrade the city's cultural and scientific facilities.

the eastern sector of Paris, once the slaughterhouses for the city, will be redeveloped as a 20th century urban park around a new museum of science and technology and a major music centre and music school.

THE FRIGHTENING toll of human misery caused by accidents with glass should start to fall from the end of this month. A new British Standard Code of Building Practice comes into force then which specifies the minimum standard of glazing material that can be used in the principal areas of risk.

to break even from the impact of a running boy. Even more important, if it does break it will collapse into thousands of tiny round pieces with dulled edges.

REDUCING THE RISKS FROM BREAKING GLASS

to break even from the impact of a running boy. Even more important, if it does break it will collapse into thousands of tiny round pieces with dulled edges.

Where a dealer supplies glass, or a tradesman recommends or installs it, he could be held liable for any injury caused by its breakage.



On the site of the Bastille a new Opera House is to be built, which will be "modern and popular." The vast expanse of the area of La Villette in

There are to be major international architectural competitions for all the new schemes. A 21-man international jury has been established and the first competition for the urban park at La Villette is under way with entries from over 30 countries.

But tempered safety glass is about five times as strong as ordinary glass so it is unlikely

CRENDON

The versatile building system. For Offices, Factories, Warehouses. CRENDON CONCRETE COMPANY LIMITED. Contracts worth over £9m including a new office and residential complex in London and a new school in South Wales, have been awarded to CRENDON BUILDING. A 540,000 sq ft complex, with floor of offices and an eight-storey residential block, will be built in Buckingham Palace.

NEW YORK

Table of New York stock market data including high, low, and stock prices for various companies like AOF Industries, AMF, and IBM.

1982 Low Stock June 25

Table of 1982 low stock prices for various companies including Columbia Gas, Aetna, and IBM.

1982 Low Stock June 25

Table of 1982 low stock prices for various companies including IBM, AT&T, and General Electric.

CANADA

Table of Canadian stock market data including high, low, and stock prices for companies like Bell Canada and Imperial Oil.

HONG KONG

Table of Hong Kong stock market data including high, low, and stock prices for companies like HSBC and Citicorp.

NEW YORK

Table of New York indices including Dow Jones, S&P 500, and various market metrics.

INDICES

Table of international indices for Australia, Belgium, Denmark, France, Germany, Hong Kong, Italy, Japan, Norway, Singapore, South Africa, Sweden, Switzerland, and Taiwan.

NEW YORK

Table of New York active stocks including IBM, AT&T, and General Electric.

GERMANY

Table of German stock market data including high, low, and stock prices for companies like Volkswagen and Siemens.

SOUTH AFRICA

Table of South African stock market data including high, low, and stock prices for companies like Anglo American and De Beers.

NEW YORK ACTIVE STOCKS

Table of New York active stocks including IBM, AT&T, and General Electric.

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COMPANIES AND MARKETS CURRENCIES, MONEY and GOLD

MONEY MARKETS

Focus on Eurodollars

Attention remained focused on Eurodollar interest rates and the actions of the Federal Reserve Bank in New York last week. Intervention by the U.S. authorities gave no indication of easier monetary policy...

An auction of \$4bn four-year bonds takes place tomorrow, and \$4bn seven-year bonds on Thursday. The market's reaction to these issues could prove a key factor in determining whether the U.S. Treasury can attract long-term investment at a rate well over double the current level of inflation.

Day-to-day credit conditions are expected to remain tight for the next few days during the run up to the end of the quarter, and there also seems little prospect of a sharp fall in Eurodollar rates. These continued to advance last week, pulling up most other Euro-currency rates, with the exception of Euroguilder and French franc rates.

Three-month Eurosterling is now about 1 percentage point higher than at the time of the last cut in clearing bank base rates on June 8, but there were signs that the discount rate has been set to be held on Friday.

Important one-day rate has fallen slightly over the period, and the same also applies for domestic rates, which should help keep any immediate upward pressure of base rates. Nervousness seemed to increase as the week progressed.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table showing weekly change in world interest rates for London, New York, Tokyo, Brussels, and Amsterdam. Columns include rate, change, and date.

BANK OF ENGLAND TREASURY BILL TENDER. Table with columns for June 25 and June 18, and rows for bills on offer, total, and applications.

FT LONDON

INTERBANK FIXING. Table showing 3 months U.S. dollars bid and offer rates.

LONDON MONEY RATES

Table showing London money rates for overnight, 2 days notice, 7 days notice, 1 month, 3 months, 6 months, and 1 year.

The fixing rates (June 11) are the arithmetic means, rounded to the nearest one-hundredth, of the bid and offered rates for seven currencies by the market to five reference banks at 11 am each working day.

Table showing London bank bills and Treasury bills rates for various terms.

London bank bills mature in 10 to 14 days, bank bills 15 to 33 days, and Treasury bills 91 days. Rates quoted represent Bank of England buying or selling rates with the bank.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table showing Euro-currency interest rates for various currencies and terms.

Local authorities and finance houses seven's notes, others seven days fixed. Long-term local authority mortgage rates for 12, 15, 18, 21, 24, 27, 30, 33, 36, 39, 42, 45, 48, 51, 54, 57, 60, 63, 66, 69, 72, 75, 78, 81, 84, 87, 90, 93, 96, 99, 102, 105, 108, 111, 114, 117, 120, 123, 126, 129, 132, 135, 138, 141, 144, 147, 150, 153, 156, 159, 162, 165, 168, 171, 174, 177, 180, 183, 186, 189, 192, 195, 198, 201, 204, 207, 210, 213, 216, 219, 222, 225, 228, 231, 234, 237, 240, 243, 246, 249, 252, 255, 258, 261, 264, 267, 270, 273, 276, 279, 282, 285, 288, 291, 294, 297, 300, 303, 306, 309, 312, 315, 318, 321, 324, 327, 330, 333, 336, 339, 342, 345, 348, 351, 354, 357, 360, 363, 366, 369, 372, 375, 378, 381, 384, 387, 390, 393, 396, 399, 402, 405, 408, 411, 414, 417, 420, 423, 426, 429, 432, 435, 438, 441, 444, 447, 450, 453, 456, 459, 462, 465, 468, 471, 474, 477, 480, 483, 486, 489, 492, 495, 498, 501, 504, 507, 510, 513, 516, 519, 522, 525, 528, 531, 534, 537, 540, 543, 546, 549, 552, 555, 558, 561, 564, 567, 570, 573, 576, 579, 582, 585, 588, 591, 594, 597, 600, 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2664, 2667, 2670, 2673, 2676, 2679, 2682, 2685, 2688, 2691, 2694, 2697, 2700, 2703, 2706, 2709, 2712, 2715, 2718, 2721, 2724, 2727, 2730, 2733, 2736, 2739, 2742, 2745, 2748, 2751, 2754, 2757, 2760, 2763, 2766, 2769, 2772, 2775, 2778, 2781, 2784, 2787, 2790, 2793, 2796, 2799, 2802, 2805, 2808, 2811, 2814, 2817, 2820, 2823, 2826, 2829, 2832, 2835, 2838, 2841, 2844, 2847, 2850, 2853, 2856, 2859, 2862, 2865, 2868, 2871, 2874, 2877, 2880, 2883, 2886, 2889, 2892, 2895, 2898, 2901, 2904, 2907, 2910, 2913, 2916, 2919, 2922, 2925, 2928, 2931, 2934, 2937, 2940, 2943, 2946, 2949, 2952, 2955, 2958, 2961, 2964, 2967, 2970, 2973, 2976, 2979, 2982, 2985, 2988, 2991, 2994, 2997, 3000, 3003, 3006, 3009, 3012, 3015, 3018, 3021, 3024, 3027, 3030, 3033, 3036, 3039, 3042, 3045, 3048, 3051, 3054, 3057, 3060, 3063, 3066, 3069, 3072, 3075, 3078, 3081, 3084, 3087, 3090, 3093, 3096, 3099, 3102, 3105, 3108, 3111, 3114, 3117, 3120, 3123, 3126, 3129, 3132, 3135, 3138, 3141, 3144, 3147, 3150, 3153, 3156, 3159, 3162, 3165, 3168, 3171, 3174, 3177, 3180, 3183, 3186, 3189, 3192, 3195, 3198, 3201, 3204, 3207, 3210, 3213, 3216, 3219, 3222, 3225, 3228, 3231, 3234, 3237, 3240, 3243, 3246, 3249, 3252, 3255, 3258, 3261, 3264, 3267, 3270, 3273, 3276, 3279, 3282, 3285, 3288, 3291, 3294, 3297, 3300, 3303, 3306, 3309, 3312, 3315, 3318, 3321, 3324, 3327, 3330, 3333, 3336, 3339, 3342, 3345, 3348, 3351, 3354, 3357, 3360, 3363, 3366, 3369, 3372, 3375, 3378, 3381, 3384, 3387, 3390, 3393, 3396, 3399, 3402, 3405, 3408, 3411, 3414, 3417, 3420, 3423, 3426, 3429, 3432, 3435, 3438, 3441, 3444, 3447, 3450, 3453, 3456, 3459, 3462, 3465, 3468, 3471, 3474, 3477, 3480, 3483, 3486, 3489, 3492, 3495, 3498, 3501, 3504, 3507, 3510, 3513, 3516, 3519, 3522, 3525, 3528, 3531, 3534, 3537, 3540, 3543, 3546, 3549, 3552, 3555, 3558, 3561, 3564, 3567, 3570, 3573, 3576, 3579, 3582, 3585, 3588, 3591, 3594, 3597, 3600, 3603, 3606, 3609, 3612, 3615, 3618, 3621, 3624, 3627, 3630, 3633, 3636, 3639, 3642, 3645, 3648, 3651, 3654, 3657, 3660, 3663, 3666, 3669, 3672, 3675, 3678, 3681, 3684, 3687, 3690, 3693, 3696, 3699, 3702, 3705, 3708, 3711, 3714, 3717, 3720, 3723, 3726, 3729, 3732, 3735, 3738, 3741, 3744, 3747, 3750, 3753, 3756, 3759, 3762, 3765, 3768, 3771, 3774, 3777, 3780, 3783, 3786, 3789, 3792, 3795, 3798, 3801, 3804, 3807, 3810, 3813, 3816, 3819, 3822, 3825, 3828, 3831, 3834, 3837, 3840, 3843, 3846, 3849, 3852, 3855, 3858, 3861, 3864, 3867, 3870, 3873, 3876, 3879, 3882, 3885, 3888, 3891, 3894, 3897, 3900, 3903, 3906, 3909, 3912, 3915, 3918, 3921, 3924, 3927, 3930, 3933, 3936, 3939, 3942, 3945, 3948, 3951, 3954, 3957, 3960, 3963, 3966, 3969, 3972, 3975, 3978, 3981, 3984, 3987, 3990, 3993, 3996, 3999, 4002, 4005, 4008, 4011, 4014, 4017, 4020, 4023, 4026, 4029, 4032, 4035, 4038, 4041, 4044, 4047, 4050, 4053, 4056, 4059, 4062, 4065, 4068, 4071, 4074, 4077, 4080, 4083, 4086, 4089, 4092, 4095, 4098, 4101, 4104, 4107, 4110, 4113, 4116, 4119, 4122, 4125, 4128, 4131, 4134, 4137, 4140, 4143, 4146, 4149, 4152, 4155, 4158, 4161, 4164, 4167, 4170, 4173, 4176, 4179, 4182, 4185, 4188, 4191, 4194, 4197, 4200, 4203, 4206, 4209, 4212, 4215, 4218, 4221, 4224, 4227, 4230, 4233, 4236, 4239, 4242, 4245, 4248, 4251, 4254, 4257, 4260, 4263, 4266, 4269, 4272, 4275, 4278, 4281, 4284, 4287, 4290, 4293, 4296, 4299, 4302, 4305, 4308, 4311, 4314, 4317, 4320, 4323, 4326, 4329, 4332, 4335, 4338, 4341, 4344, 4347, 4350, 4353, 4356, 4359, 4362, 4365, 4368, 4371, 4374, 4377, 4380, 4383, 4386, 4389, 4392, 4395, 4398, 4401, 4404, 4407, 4410, 4413, 4416, 4419, 4422, 4425, 4428, 4431, 4434, 4437, 4440, 4443, 4446, 4449, 4452, 4455, 4458, 4461, 4464, 4467, 4470, 4473, 4476, 4479, 4482, 4485, 4488, 4491, 4494, 4497, 4500, 4503, 4506, 4509, 4512, 4515, 4518, 4521, 4524, 4527, 4530, 4533, 4536, 4539, 4542, 4545, 4548, 4551, 4554, 4557, 4560, 4563, 4566, 4569, 4572, 4575, 4578, 4581, 4584, 4587, 4590, 4593, 4596, 4599, 4602, 4605, 4608, 4611, 4614, 4617, 4620, 4623, 4626, 4629, 4632, 4635, 4638, 4641, 4644, 4647, 4650, 4653, 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5154, 5157, 5160, 5163, 5166, 5169, 5172, 5175, 5178, 5181, 5184, 5187, 5190, 5193, 5196, 5199, 5202, 5205, 5208, 5211, 5214, 5217, 5220, 5223, 5226, 5229, 5232, 5235, 5238, 5241, 5244, 5247, 5250, 5253, 5256, 5259, 5262, 5265, 5268, 5271, 5274, 5277, 5280, 5283, 5286, 5289, 5292, 5295, 5298, 5301, 5304, 5307, 5310, 5313, 5316, 5319, 5322, 5325, 5328, 5331, 5334, 5337, 5340, 5343, 5346, 5349, 5352, 5355, 5358, 5361, 5364, 5367, 5370, 5373, 5376, 5379, 5382, 5385, 5388, 5391, 5394, 5397, 5400, 5403, 5406, 5409, 5412, 5415, 5418, 5421, 5424, 5427, 5430, 5433, 5436, 5439, 5442, 5445, 5448, 5451, 5454, 5457, 5460, 5463, 5466, 5469, 5472, 5475, 5478, 5481, 5484, 5487, 5490, 5493, 5496, 5499, 5502, 5505, 5508, 5511, 5514, 5517, 5520, 5523, 5526, 5529, 5532, 5535, 5538, 5541, 5544, 5547, 5550, 5553, 5556, 5559, 5562, 5565, 5568, 5571, 5574, 5577, 5580, 5583, 5586, 5589, 5592, 5595, 5598, 5601, 5604, 5607, 5610, 5613, 5616, 5619, 5622, 5625, 5628, 5631, 5634, 5637, 5640, 5643, 5646, 5649, 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INSURANCES

Table listing various insurance companies and their products, including Abbey Life Assurance Co. Ltd., Angev Life Assurance Ltd., and others.

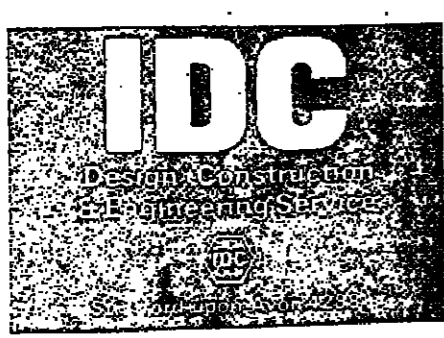
INSURANCE & OVERSEAS MANAGED FUNDS

Main table listing insurance and overseas managed funds, including Life Assur. Co. of Pennsylvania, Norwich Union Insurance Group, and various international investment funds.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas managed funds, including Abbey Fund Management Limited, Blythwood Investment Management, and others.

NOTES: Prices are in pence unless otherwise indicated and show changes since the previous day's closing prices.



FT SHARE INFORMATION SERVICE

FOOD, GROCERIES—Cont.

LOANS—Continued

Interest	Stock	Price	Last	1st	2nd	3rd
3.00	2000	100.00	100.00	100.00	100.00	100.00
3.00	2000	100.00	100.00	100.00	100.00	100.00
3.00	2000	100.00	100.00	100.00	100.00	100.00

BANKS & H.P.—Cont.

Market	Stock	Price	Last	1st	2nd	3rd
Bank	100	100.00	100.00	100.00	100.00	100.00
H.P.	100	100.00	100.00	100.00	100.00	100.00

CHEMICALS, PLASTICS—Cont.

Market	Stock	Price	Last	1st	2nd	3rd
Chem	100	100.00	100.00	100.00	100.00	100.00
Plas	100	100.00	100.00	100.00	100.00	100.00

ENGINEERING—Continued

Market	Stock	Price	Last	1st	2nd	3rd
Eng	100	100.00	100.00	100.00	100.00	100.00

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Market	Stock	Price	Last	1st	2nd	3rd
Brit	100	100.00	100.00	100.00	100.00	100.00

FOREIGN BONDS & RAILS

Market	Stock	Price	Last	1st	2nd	3rd
For	100	100.00	100.00	100.00	100.00	100.00

HIRE PURCHASE, ETC.

Market	Stock	Price	Last	1st	2nd	3rd
Hire	100	100.00	100.00	100.00	100.00	100.00

DRAPERY AND STORES

Market	Stock	Price	Last	1st	2nd	3rd
Drap	100	100.00	100.00	100.00	100.00	100.00

Five to Fifteen Years

Market	Stock	Price	Last	1st	2nd	3rd
5-15	100	100.00	100.00	100.00	100.00	100.00

AMERICANS

Market	Stock	Price	Last	1st	2nd	3rd
Amer	100	100.00	100.00	100.00	100.00	100.00

BEERS, WINES AND SPIRITS

Market	Stock	Price	Last	1st	2nd	3rd
Beer	100	100.00	100.00	100.00	100.00	100.00

ELECTRICALS

Market	Stock	Price	Last	1st	2nd	3rd
Elec	100	100.00	100.00	100.00	100.00	100.00

INDUSTRIALS (Misc.)

Market	Stock	Price	Last	1st	2nd	3rd
Ind	100	100.00	100.00	100.00	100.00	100.00

Over Fifteen Years

Market	Stock	Price	Last	1st	2nd	3rd
15+	100	100.00	100.00	100.00	100.00	100.00

UNDATED

Market	Stock	Price	Last	1st	2nd	3rd
Undat	100	100.00	100.00	100.00	100.00	100.00

BUILDING INDUSTRY, TIMBER AND ROADS

Market	Stock	Price	Last	1st	2nd	3rd
Build	100	100.00	100.00	100.00	100.00	100.00

INDEX-LINKED & VARIABLE RATE

Market	Stock	Price	Last	1st	2nd	3rd
Index	100	100.00	100.00	100.00	100.00	100.00

GOVT. STERLING ISSUES

Market	Stock	Price	Last	1st	2nd	3rd
Govt	100	100.00	100.00	100.00	100.00	100.00

CORPORATION LOANS

Market	Stock	Price	Last	1st	2nd	3rd
Corp	100	100.00	100.00	100.00	100.00	100.00

CANADIANS

Market	Stock	Price	Last	1st	2nd	3rd
Can	100	100.00	100.00	100.00	100.00	100.00

BANKS AND HIRE PURCHASE

Market	Stock	Price	Last	1st	2nd	3rd
Bank	100	100.00	100.00	100.00	100.00	100.00

COMMONWEALTH AND AFRICAN LOANS

Market	Stock	Price	Last	1st	2nd	3rd
Comm	100	100.00	100.00	100.00	100.00	100.00

LOANS

Market	Stock	Price	Last	1st	2nd	3rd
Loan	100	100.00	100.00	100.00	100.00	100.00

Public Bond and Ind.

Market	Stock	Price	Last	1st	2nd	3rd
Pub	100	100.00	100.00	100.00	100.00	100.00

LOANS

Market	Stock	Price	Last	1st	2nd	3rd
Loan	100	100.00	100.00	100.00	100.00	100.00

LOANS

Market	Stock	Price	Last	1st	2nd	3rd
Loan	100	100.00	100.00	100.00	100.00	100.00

LOANS

Market	Stock	Price	Last	1st	2nd	3rd
Loan	100	100.00	100.00	100.00	100.00	100.00

LOANS

Market	Stock	Price	Last	1st	2nd	3rd
Loan	100	100.00	100.00	100.00	100.00	100.00

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 BUSINESS INFORMATION SERVICE

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CHEMICALS, PLASTICS

Market	Stock	Price	Last	1st	2nd	3rd
Chem	100	100.00	100.00	100.00	100.00	100.00

ENGINEERING TOOLS

Market	Stock	Price	Last	1st	2nd	3rd
Eng	100	100.00	100.00	100.00	100.00	100.00

FOOD, GROCERIES, ETC.

Market	Stock	Price	Last	1st	2nd	3rd
Food	100	100.00	100.00	100.00	100.00	100.00

Market	Stock	Price	Last	1st	2nd	3rd
Food	100	100.00	100.00	100.00	100.00	100.00

HOTELS AND CATERERS

Market	Stock	Price	Last	1st	2nd	3rd
Hot	100	100.00	100.00	100.00	100.00	100.00

INDUSTRIALS (Misc.)

Market	Stock	Price	Last	1st	2nd	3rd
Ind	100	100.00	100.00	100.00	100.00	100.00

Market	Stock	Price	Last	1st	2nd	3rd
Ind	100	100.00	100.00	100.00	100.00	100.00

Market	Stock	Price	Last	1st	2nd	3rd
Ind	100	100.00	100.00	100.00	100.00	100.00

Market	Stock	Price	Last	1st	2nd	3rd
Ind	100	100.00	100.00	100.00	100.00	100.00

Market	Stock	Price	Last	1st	2nd	3rd
Ind	100	100.00	100.00	100.00	100.00	100.00

Market	Stock	Price	Last	1st	2nd	3rd
Ind	100	100.00	100.00	100.00	100.00	100.00

Market	Stock	Price	Last	1st	2nd	3rd
Ind	100	100.00	100.00	100.00	100.00	100.00

Market	Stock	Price	Last	1st	2nd	3rd
Ind	100	100.00	100.00	100.00	100.00	100.00

Market	Stock	Price	Last	1st	2nd	3rd
Ind	100	100.00	100.00	100.00	100.00	100.00

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Call to Europe on U.S. links

BY JOHN WYLES IN BRUSSELS

EEC heads of government will be urged to call for a new transatlantic dialogue at the Community summit opening in Brussels today. The plea will be made because of growing fears for the future of Europe's political and commercial relations with the U.S.

Ideas for a new "forum," possibly based on regular top-level political contacts between the Community and Washington, will be pressed hard by the Belgian Government. As president of the EEC's Council of Ministers, Belgium will play host to the summit meeting.

The resignation of Mr Alexander Haig makes it even more imperative, the Belgians contend, to take steps to prevent a major political crisis from developing out of the present economic disagreements between the EEC and the U.S.

Mr Haig was viewed in Community capitals as a staunch advocate of European interests in Washington. There are now widespread fears that his successor, Mr George Shultz, will line up with those advisers of

President Reagan who have been successfully advocating a tough line with Europe. They wish to prevent the supply of U.S.-licensed parts for the Soviet gas pipeline to Western Europe and to damp down EEC steel exports to the U.S. Washington's moves on both issues have this month threatened to aggravate earlier disputes on agriculture, export credits and textiles.

Mr Wilfried Martens, Belgium's Prime Minister, and Mr Leo Tindemans, the Foreign Minister, look likely to receive a polite but sceptical reception when they outline their ideas to the summit. Few governments believe that current problems stem from lack of contact with the U.S. Instead, they will want to concentrate on pressing for successful negotiations settlements with Washington.

Publicly, they are unlikely to risk doing any further damage to the political climate by denouncing U.S. policies. They are expected, instead, to endorse firmly the statement issued by EEC foreign ministers last week which amounted to a crisp declaration that the imposition by the U.S. on June 11 of countervailing duties on steel imports from Europe was politically wrong-headed.

The EEC statement also accused the U.S. of breaching the principles of international law in trying to prevent the manufacture in Europe of parts for the Soviet gas pipeline.

The second major issue to be dealt with is the crisis in the Lebanon and its impact on the search for a Middle East peace settlement. Again, whatever the summit has to say will be principally addressed to the U.S. in an effort to secure an Israeli pull-back from Beirut and, in the longer term, a more "realistic" approach to negotiating Palestinian autonomy.

Although France, the UK and Greece, have been in favour of mounting some form of sanctions against Israel, opposition from West Germany and Holland has ruled this out. But the summit will emphasise that there is no softening of the EEC's view that the Palestine Liberation Organisation cannot be eliminated politically or militarily, and that Israel must recognise the Palestinians' right to self-determination in return for Arab recognition of Israel.

There may well be some discussion on whether Europe should be ready to take part in a multinational peace-keeping force in the Lebanon aimed at underpinning a negotiated withdrawal of Israeli forces and the establishment of a genuinely independent Lebanon.

Heads of government will return to Community preoccupations over dinner this evening when they will discuss the future development of the EEC in the light of Spanish and Portuguese membership. This will be the first opportunity for President Mitterrand to explain his remarks in Madrid last week which have been widely seen as calling for a delay in negotiating accession with Madrid and Lisbon.

Lucas opens car pay talks with 5%

By Our Industrial Staff

LUCAS INDUSTRIES has opened the motor industry pay negotiations with an offer of about 5 per cent for manual workers.

The car parts supplier, with a wage review date of July for most workers, has given a strong lead to the industry in the past two years. Take-it-or-leave-it offers of 10 and 5 per cent were pushed through in spite of protests.

This time, Lucas has said it is prepared to negotiate. But union leaders say the gesture merely acknowledges growing worker unrest, and is unlikely to involve much flexibility.

Lucas, like other Midlands-based parts suppliers, has stressed reducing unit labour costs in response to the decline of the UK motor assembly industry and the pressure of international competition.

The West Midlands is traditionally the pace-setter for wage demands. But Mr Chris Walliker, chairman of the Confederation of British Industry, said last night that settlements were currently running at 5 to 6 per cent below the national average.

Many companies had either refused or postponed wage increases. Midlands businessmen expected a rising trend of unemployment and no improvement in demand, despite optimistic national forecasts.

Mr Walliker said that against such a background the level of pay settlements was likely to go down.

Mr Walliker, however, issued a warning that the forthcoming pay round would be "crucial" and that pressures from the shop floor were mounting.

Employers were "uneasy," he said. Companies for two successive years had encouraged the unions to exercise restraint. But there was still no sign of the promised improved demand necessary to justify such sacrifices.

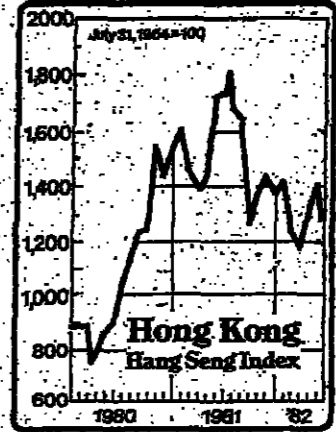
Union leaders in the West Midlands report frustration at Lucas, among others, including the erosion of living standards.

Workers at Lucas's 10 West Midlands factories will be voting over the next few days on the management offer of an increase in basic rates ranging from around £3.40 to £5.90 a week according to skill.

A key factor in the voting will be additional payments of £1.80 to £2.00 a week, promised to the many shift workers who did not benefit from the introduction last November of the 38-hour week.

THE LEX COLUMN

No time-table for recovery



On Friday the Chief Secretary to the Treasury was assuring the businessmen of Newcastle upon Tyne that "gloom about our economic prospects is misplaced." But the stiffened morale of those investors waiting for a demand boost to put some pep in their favourite recovery stocks will be willing again this morning after the publication of the latest CBI trend enquiry and the London Business School Economic Outlook. Far from recovering, demand in some hard-pressed sectors seems to be slipping back again. The CBI finds that in June "demand has noticeably weakened for firms in the metal manufacturing broad industry group," and output expectations in this sector have tailed off sharply.

With destocking coming to an end, and signs of cautious restocking in some parts of the economy, the failure of domestic demand to respond represents something of a puzzle. An explanation is provided by the LBS, which points out that, under the cover of the statistics blackout during last year's civil servants' dispute, there was a sharp increase in import penetration. So imports, particularly manufacturers, have satisfied a high proportion of the increase in demand. In spite of the recent strength of the U.S. dollar, sterling's recovery since 1977 still leaves UK industry relatively uncompetitive. Recession elsewhere in the world, in general emerging later than in the UK, has put pressure on exports and intensified competition in the home market.

A reappraisal of growth prospects seems to have taken place - yet again - in the stock market over the last fortnight or so. Mainstream recovery stocks in the engineering and allied sectors, which were attracting attention early in the year, are now back at or near their lows for 1982. GKN, at 155p, is 22 per cent off this year's peak; Lucas is 27 per cent down. The metals and metal forming index has once again taken up its accustomed place as one of the main laggards, with a decline of nearly 11 per cent since the beginning of the year.

While the CBI enquiry emphasises the confident mood of the chemical industry, any recovery in the economy seen so far seems to have centred on the building sector. Blue Circle's report in April of better demand has since been backed up by other building material pro-

60 point jump in the Hang Seng index at the end of May when Citibank cut its prime by 1.1 percentage point. This move was followed by a 1-point cut from the Hong Kong banking cartel to 15 per cent - a level which so far has been maintained even though Citibank has since forced back up to 16 per cent. But the Hang Seng has slid by nearly a tenth to 1280.

This is midway in its trading range since the sharp drop last autumn, and makes allowance for only a modest increase in overall profits this year and even a slight decline in 1982 as the property slowdown makes itself felt. Meanwhile, with earnings at an unseasonably premium, recent months have seen outperformance from the trading houses, utilities and financials. The worry is that if the interest screw tightens, some of the secondary property companies could go under this autumn, dealing a blow to market sentiment and leaving some unpalatable bad debts in the banking sector.

Discounted bonds

Last week's "clarification" from the Inland Revenue on the likely tax position of deep discounted stock managed to introduce a fresh element of uncertainty. Capital appreciation in low and zero coupon stock is to be taxed as interest, clear enough, though hardly an enticing prospect for many lenders. More ominously, the Revenue states that the Government is examining the prospect of taxing this "interest" on what it calls an accruals basis. This apparently means that tax will be charged - and allowed for - annually on both sides of the transaction even though no money changes hands. The prospect of such a major innovation entering the investment scene may do more than anything else to dampen enthusiasm for experimentation in new forms of bonds.

Meanwhile, even though the practical difference between a low coupon bond and an indexed one lies mainly in the fact that in the case of the former the size of the capital uplift is set in advance, the tax regime announced on Friday draws a fundamental distinction: the uplift on an indexed bond is indeed to be treated as capital appreciation. For the corporate borrower, of course, that means no interest payments will be available to set off against taxable income.

Ulster post for Tate & Lyle chief

By Jeremy Stone

MR SAXON TATE, a vice-chairman of Tate & Lyle, has been appointed chief executive of Northern Ireland's new Industrial Development Board (IDB).

The announcement will be made today by Mr James Prior, Secretary of State for Northern Ireland. Mr Tate is expected to take up his appointment in August.

After years of argument, the Government announced in August 1981 that it was setting up the development board, to provide "one-stop" shopping for companies seeking to invest in Northern Ireland. Hitherto, they have had to deal with the Department of Commerce, responsible for attracting investment to Northern Ireland, and the Northern Ireland Development Agency, which assist the establishment and expansion of enterprises in the province. The IDB will combine these functions.

Although Sir Desmond Lorimer was designated chairman in March, and five of the 12 board members were appointed at the same time, there was some difficulty in finding a suitable chief executive after the first-choice candidate, a former ICI executive, declined the post. The IDB is due to begin operating by September, the need to make an appointment had taken on a degree of urgency.

Sir Desmond said yesterday that the board was "absolutely delighted" that it had been able to attract a candidate of such calibre, and to get started on its task of bringing fresh employment to Northern Ireland.

As the Secretary of State will be making an announcement tomorrow, it would be unwise for me to comment one way or the other," Mr Tate said yesterday.

Mr Tate has worked for his family firm of Tate & Lyle since 1952, becoming a director in 1956 when he was 25. Between 1963 and 1972 he was chief executive of Tate & Lyle's Canadian subsidiary, Redpath Industries. He then chaired the group's executive committee until moving up to the position of managing director in 1978.

In July 1980 he was replaced as managing director of Tate & Lyle by Mr Neil Shaw. It was said at the time that Mr Shaw might expect to impose a "crisper" management style on the group.

Educated at Eton and Christ Church, Oxford, Mr Tate is the heir to a baronetcy.

Shultz unlikely to change American foreign policy

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

WHITE HOUSE officials yesterday stressed that the sudden nomination of Mr George Shultz to replace Mr Alexander Haig as U.S. Secretary of State would make no change to the overall direction of American foreign policy.

Mr Shultz had talks with President Ronald Reagan at Camp David at the weekend but would say little about his approach to foreign affairs in advance of his Senate confirmation hearings, which are expected to be held in the week starting July 12.

A number of Senators have made clear already their intention to question Mr Shultz closely on his attitudes towards Israel - particularly in the light of his role as president of the California-based Bechtel Engineering and Construction Co., which has strong links with Arab countries.

It is expected in Washington, however, that his appointment will be confirmed swiftly, despite fears among conservatives that he is even more "moderate" than Mr Haig.

The Middle East remains, nevertheless, the major policy area in which the change of Secretary of State could lead to a shift in U.S. attitudes. One of the many reasons for Mr Haig's abrupt departure on Friday was his continuing insistence -

against the majority of the Cabinet - that the U.S. should not publicly condemn Israel for its invasion of the Lebanon.

Washington officials - and the Jewish lobby - believe that Mr Shultz will favour a tougher U.S. line against the more provocative actions of Mr Menachem Begin, the Israeli Prime Minister, even though underlying U.S. support for Israel is unlikely to waver.

Mr William Clark, Mr Reagan's increasingly influential national security adviser, nevertheless said at the weekend that he was "unaware" of any fears in Israel that the departure of the pro-Israeli Mr Haig meant a change to a firmer American attitude.

In European affairs, officials said they expected Mr Shultz to follow closely in Mr Haig's footsteps.

After his Camp David talks, Mr Shultz said: "I'm confident on the basis of all these contacts and experiences, let alone the discussion we had today, that I can work sympathetically with his Administration." He admitted that he had been "truly surprised" by Mr Haig's resignation.

While some Washington analysts believe that Mr Shultz's appointment will signal a shift to the right in foreign policy, the new Secretary of State has far from im-

peccable credentials in the eyes of Mr Reagan's more conservative backers. He is on record, for example, as opposing the use of trade sanctions against the Soviet Union.

David Tonge reports: British ministers, while regretting the resignation of Mr Haig were relieved yesterday over the choice of his successor. But they are also concerned over how Mr Shultz will handle the problems now blowing up between the U.S. and Europe.

Britain and its EEC partners are preparing to confront Washington over steel imports from Reagan's decision to prevent U.S. technology being used in West Europe's work on the Sinter Europe gas pipeline.

On the Middle East, there are hopes that Mr Shultz will be more sympathetic to British and European views. But Mr Haig's departure means the loss of the one man in Washington who, even if he did not give unalloyed support, could be counted on to put the NATO alliance first in his vision of the world.

Mr Haig won strong support in London for his handling of the Falklands crisis, particularly when he made sure that the Reagan Administration came down firmly on Britain's side.

Profile of George Shultz, Page 2; Editorial comment, Page 12; Feature, Page 13

Continued from Page 1

BR services

cumulative rather than immediate.

Last winter's Aslef action cost British Steel Corporation (BSC), which is heavily dependent upon rail transportation, about £11m. As well as conveying steel products, rail is used to take supplies of coking coal iron ore and other necessities to steel works.

The corporation is making efforts to ration stocks within plants to keep uninterrupted production going as long as possible.

In the important steel town of Scunthorpe, the local NUR branch has come out against the strike because of fears that the BSC might transfer traffic from rail to road.

The Iron and Steel Trades Confederation in Scunthorpe is backing the NUR's national strike action.

The National Coal Board

Continued from Page 1

Beirut

government to feel free to extend its original military aim so as to encompass a drive to create a new political order in Lebanon.

Israel is also concerned about the close business links with Saudi Arabia of Mr George Shultz, the Secretary-designate. He is expected to line up with Mr Caspar Weinberger, the Defence Secretary, who is regarded as Israel's fiercest critic within the Reagan Administration.

In Kuwait, Mr Abdul Aziz Hussein, the Minister of State for Cabinet Affairs, said that Arab Foreign Ministers, meeting in Tunis, would consider use of oil sanctions to force an Israeli withdrawal from Lebanon. The meeting ended inconclusively last night.

King Faud of Saudi Arabia said in a message to President Reagan yesterday that Israel's action "will lead to serious consequences for peace in the region and the whole world."

Continued from Page 1

Weather

UK TODAY
SHOWERS and bright intervals. Cool. Cloudy in Scotland but brightening.

London, S.E. and Midlands, Cent. England
Showers, bright intervals. Max. 19C (66F).

Wales, Chan. Isles, S.W. and N.E. England
Showers, some prolonged. Max. 15C (59F).

N. Ireland, N.W. England, Isle of Man, S.W. Scotland
Rain, bright intervals. Max. 16C (61F).

S. Scotland, Cent. Highlands, N. Scotland
Cloudy, outbreaks of rain. Max. 13C (55F).

Outlook
Changeable but becoming warmer.

WORLDWIDE

	Y'day	Today	Y'day	Today
	Temp	Temp	Temp	Temp
Ajaccio	F 22	72	L. Ang. I	C 17
Algiers	F 27	81	London	C 15
Amsterdam	F 17	63	Luxemb.	C 15
Athens	S 31	88	Madrid	S 23
Bahram	S 38	100	Mexico	S 24
Bangkok	S 24	75	Montreal	F 21
Beirut	S 21	70	Moscow	F 15
Bombay	S 26	79	Nairobi	F 21
Buenos Aires	S 18	64	Paris	F 15
Calcutta	S 26	79	Rome	F 15
Cardiff	F 16	61	S. Africa	F 21
Cape Town	S 22	72	Singapore	F 27
Cebu	F 27	81	Sydney	F 20
Colon	S 26	79	Taipei	F 27
Copenhagen	F 19	66	Tokyo	F 23
Dakar	S 26	79	Winnipeg	F 15
Dhaka	S 26	79	Zurich	F 15
Hankow	S 26	79		
Hong Kong	S 26	79		
London	F 17	63		
Lyons	F 17	63		
Manila	S 26	79		
Medan	S 26	79		
Perth	S 26	79		
Rangoon	S 26	79		
San Francisco	S 26	79		
Singapore	F 27	81		
Sourabaya	S 26	79		
Tientsin	S 26	79		
Yokohama	S 26	79		

Militant vows to resist expulsion

BY ELINOR GOODMAN AND PHILIP BASSETT

MEMBERS of the Militant Tendency organisation yesterday signalled their determination to do everything possible to resist exclusion from the Labour Party. Meanwhile Labour moderates rallied behind Mr Michael Foot, the party leader, and in what could be a significant development - some of Mr Tony Benn's former supporters on the Left appealed for party unity.

At a meeting of about 200 young Militant supporters in London, Mr Pat Wall, the Militant member selected on Friday as the official Labour Party candidate for Bradford North, gave the first indication of the kind of disruptive tactics, amounting to a sit-in, Militant will use to stay in the Labour Party.

Mr Wall, one of eight Militants selected as candidates who will have to be displaced if Militant is still found to be in breach of the party's constitution in three months time, said there was no way he would leave the Labour Party.

He made it clear that the leadership would have to wind up his constituency before they dropped him as a candidate.

"How are they going to keep us out?" he said. "Do they want to turn the party upside down?" He would, he said, keep on going to party meetings, and if he was excluded, he would just wait outside.

Militant would go on selling its newspaper to Labour members, and would keep up their contacts with the Labour Party, both socially and at work. There was no way Militants could be divorced from the Labour Party "either socially or politically," he said.

At their conference, Militant claimed to already have the support of "hundreds" of constituencies.

But there were signs yesterday that some Leftwing activists would prefer to avoid another

bloody war in the party. The Labour Co-ordinating Committee, a group of Left-wingers once associated with Mr Benn, published an open letter yesterday calling for a "new deal."

The letter warned that expulsions could only further weaken the party's electoral performance, and attacked "witch-hunts." But it also called for an end to "hit-lists and slates" - devices more usually associated with the Left than the Right.

A call for a united campaign against the Government came yesterday from Mr Roy Hattersley, the shadow Home Secretary. The NEC's decision to set up a register of Labour groups was not a "purge or a witch-hunt," Militant, he said, spoke for a tradition wholly alien to our principles.

Meanwhile, Labour Party union moderate Mr Sid Weighell, general secretary of the National Union of Railway-

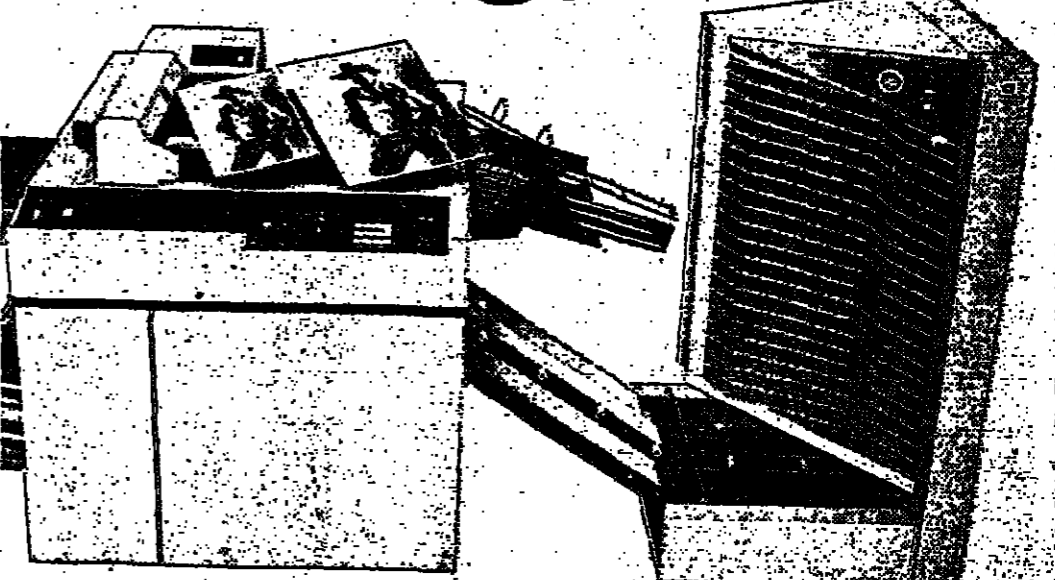
men, yesterday launched a further stinging attack on the Left in the party. Mr Weighell said that dealing with Militant would be Labour's last electoral chance.

Mr Weighell's attack follows a public row with his Left-led executive committee, which was critical of a previous attack by him on Left-wingers in the party.

In his political report to the NUR annual conference which opens in Plymouth today, Mr Weighell says: "A grouping like the Militant Tendency and other rag-tag and bobtail Trotskyite groups which have gained influence in recent years are only interested in the Labour Party as a means to an end."

The union is likely to debate the activities of Militant and other Left-wing groups in its own ranks this week when Mr Weighell presents delegates a dossier on Militant's activities

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